

AN
I N Q U I R Y

INTO
THOSE PRINCIPLES,

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RESPECTING
THE NATURE OF DEMAND
AND
THE NECESSITY OF CONSUMPTION,

lately advocated by
MR. MALTHUS,

FROM
WHICH IT IS CONCLUDED, THAT TAXATION AND THE MAINTENANCE OF
UNPRODUCTIVE CONSUMERS CAN BE CONDUCTIVE
TO
THE PROGRESS OF WEALTH.

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AN
I N Q U I R Y,

&c. &c.

IF each man should form a wish for something, which he thought would tend to his own advantage, though each might be quite right in his choice, as related to himself, the way to promote the good of all, probably, would not be to grant all these wishes, because it would very likely turn out, that they were not all compatible with one another. In some cases it is very easy to see, that such wishes would not be compatible; as, if every man were to wish for a share of land larger than the whole land would afford if divided among them; but in some cases it is rather difficult to see it, and that difficulty is sometimes still further increased by prejudices, and by certain established modes of expression, which puzzle instead of assisting. This is the case with regard to some questions, which are raised about the necessity of

consumption, in order to furnish a *demand* for the various articles of trade taken together. Many persons talk on this subject in a way, which might apply very well to their own particular business, and to its interests as compared to others, but which does not, and cannot, apply to the interests of all the different branches of business taken together, or to those of the public. They may now derive considerable support from the name of Malthus; and more support perhaps (owing to the unfortunate vagueness of statement, reasoning, and conclusion, in the late work of that celebrated writer) than he really intended to afford them. That part of his work to which I allude is in the form of an Inquiry into the immediate Causes of the Progress of Wealth. I propose to consider it, and the subject of which it so professes to treat.

We want to know, then, by what causes mankind, or the inhabitants of a particular country, are led to increase their wealth; that is, to produce every year a greater quantity of the "necessaries, comforts, and conveniences of life" (to use a phrase which I know is somewhat vague) than they did the year before.

In this statement of the question there would be no particular object in using the word "year" rather than any other period of a given length; and we might say, that wealth was the *periodical* produce of land and labour, as well as that it was the "*annual*," which is Smith's word. A regular continual increase is the object, measured at any

equal intervals you please. Were it not that the time for receiving the returns from land is, by the laws of nature, in most instances once a year : a year, or some multiple of a year, therefore, must be the period ; or else a rate of increase, as to produce from land, might often seem retrograde, or irregular, when it was in fact increasing with the greatest degree of regularity which the laws of nature could possibly admit of.

There are some other important objects, which the question as above stated does not include. For instance : it is to be wished, first, that the increase of wealth should be itself at a given rate, or else at an increasing, and regularly increasing, rate ; that is, that the additional produce, obtained at the end of this year, should bear the same proportion to the whole produce of last, as the addition obtained last year bore to the whole produce of the year before ; or else should bear a greater proportion ; and if a greater proportion, that this increase of the *proportion* should also go on steadily, and free from reverse or fluctuation.

The relative importance of these objects, or the question which of them ought, where we are obliged to choose, to be sacrificed to another, differs under different circumstances. It may be desirable, sometimes, to abstain from a present increase, if it is likely to produce a start that we cannot keep up to, and which therefore, especially through the medium of the principle of population, may in the end, taking a period of ten or twenty years, do

more harm than good . and yet, on the other hand, it would clearly be absurd to abstain from opportunities of increasing our wealth for scores of years to come, merely because at the end of many centuries we should be obliged to draw in, or merely because we could not expect to go on increasing wealth at the same rate *for ever*, but must look forward to arriving at an absolute stand still, at some period indefinitely remote.

In the next place, it is a great object, that every such increase of wealth as I have been speaking of should not be less in proportion than the increase of numbers during the same period. For, in this case, though the world, or the nation, may be said, if you please, to have more wealth than it had before, yet it would consist of individuals, each of whom, one with another, would have less. It is farther to be wished, that the distribution of the increase of necessities, &c., produced, among the same or increased numbers, should not be such as that any persons should have less than a certain quantity, or should suffer more than a certain degree of privations ; or at least it is to be wished, that the number of such persons should form a diminishing, or not increasing proportion of the whole ; and the *degree* of their privations be also diminishing. These objects, like those just mentioned, may sometimes be considered as *over and above* the main object stated at first, and sometimes be considered as interfering with, or at least qualifying it, so as that we may be obliged to

choose between the two. Thus, though the sudden invention and rapidly extended use of some machine may at once add greatly to the wealth of the people, taken one with another, we may in some cases deprecate it on account of the injury it occasions at the time to certain individuals, which we may think may be so great as to more than counterbalance the good; and yet if the injury had been less, or the benefit greater, we might have thought otherwise. This is a case of actual diminution of the wealth of some; but in a case of *increase*, we could scarcely ever think, that an opportunity of increasing the wealth of *every* man should be foregone, merely because it was likely to increase it in such proportions as to leave the relative inequality between different conditions greater than before. It is an object, too, that more human beings should exist, rather than fewer; and it is hardly possible to state exactly how far this object must be sacrificed to, or preferred to, one or more of the others, nor with what limitations. It is not so necessary, perhaps, to point this out as a distinct object, because it forms part of individual well-being. If you wish, that where people are at ease and comfortable more should come into the world to partake those advantages, you may in almost all cases be sure, on the whole, that *those people* wish it themselves full as much; and it rests with them (Note I).

It is also to be wished, that the increase of wealth should be obtained so as to admit of labour,

or the more irksome kinds of it, being saved on the whole. This is a question of degree (Note II).

I have not said any thing about the excess of production above consumption, as an object, which may seem strange to those who have been used to consider it as the very essence of wealth. But if we produce ten times as much, and *consume* it, we seem to be ten times as well off: it was the great end for which the production took place: I do not care whether it is *called* wealth or not. The excess of production above consumption is important only as a *means* of obtaining, through the help of capital, greater consumption. There may indeed be an excess of production above consumption in another sense, *viz.* by the increased use of *durable* articles, not used as capital: for though in practice we generally mean by consumption the arrival of an article into the hands of those who want it for their own use and not as capital, yet we sometimes mean its final destruction by those persons, or by time. The production of durable articles has been eulogized by Smith (vol. ii, 107, 108, edit. 1806), and, to a certain degree, with reason; but for the most part I should be inclined to say, that the buyer is the best judge, and that if he derives more satisfaction from what is gone in a moment than what lasts ten years, you cannot, in general, pretend to tell him he is mistaken (Note III).

There will, indeed, where production and con-

sumption are comparatively great, naturally be, at any given moment, a comparatively great surplus in the intermediate state, in the market, on its way from having been produced to the hands of the consumer; unless indeed the quickness with which things are sold off should have increased so as to counteract what would else have been the consequence of the increased production.

Neither have I mentioned the "increase of the exchangeable *value* of the whole produce," which forms so constant a topic with Mr. Malthus. It is because I am not so fortunate as to understand what it means, if intended as a description of some *object*, or *end*.

Much of our trouble would be saved, in discussions about the way of promoting *wealth*, if we were to keep clearly in mind, when using that word, which and how many of the various objects just enumerated we had particularly in view.

As I am considering a *given* portion of territory, and therefore no increase to wealth from obtaining more land, it is clear, that to increase the wealth each year, there must be either more work done each year than the former, equally productive of human means of enjoyment, or else the same or a less quantity of work, but so managed as to produce, on the whole, more of the means of human enjoyment; or both combined; taking into the account the altered productiveness (if any) of the natural agents or materials, in proportion to the labour employed on them: and it seems to me,

that one or both these ends are sure to be obtained by an increased disposition in rich men to save their property, and employ it as capital, or to undertake the labour of superintending the employment of capital, or both; and obtained not merely at the expense of a future diminution of production to the same extent by reaction, but so as to have made a real addition in the long run, beyond what would have otherwise existed. That every such addition of capital, or of labour of management, adds to the wealth and betters the condition of the world or of the country, at the *time*, seems quite plain. An addition of capital, by adding to the whole inducement to labour, makes the quantity of labour performed be greater than it otherwise would have been; and an addition to the labour of management is itself an addition to the quantity of useful labour performed, its use being in making more effective the labour of those who work with their hands. Now, in neither case is there any reason why the *whole* benefit thus conferred should be given away; in all cases where you confer a benefit on mankind, embodied in the production of a commodity, you may get something in return, so that both you and they will be better on the whole. The question is, how much you will get; whether as much in proportion to your capital, &c., as was got before, or less; and whether, if you get less, that will not lead to the withdrawing of capital, so that in the end no good will have been gained by the addition made?

Adam Smith thought (book i, chap. ix), that accumulation or increase of stock in general lowered the rate of profits in general, on the same principle which makes the increase of stock in any particular trade lower the profits of that trade. But such increase of stock in a particular trade means an increase more *in proportion* than stock is at the same time increased in other trades: it is relative.

In such case the profits fall, certainly. If the capital employed in cutlery is increased as 100:101, and can only produce an increase of cutlery in the same proportion, the degree in which it will increase the command which its producers have over things in general, no increased production of *them* having by the supposition taken place, will be in a less proportion; and this, and not the increase of the quantity of cutlery, constitutes the employers' profits, or the increase of their wealth. But if the like addition of one per cent. had been making at the same time to the capitals of all other trades, &c. (which is a very likely case, if those additions came out of profits) and with the like result as to produce, this conclusion would not follow: for the rate at which each article would exchange with the rest would remain unaltered, and therefore a given portion of each would give the same command as before over the rest. Suppose the addition to be made to some at one time, and to the rest at another time, it will come to the same in the end, but with temporary and partial variations one way

and the other. For instance: in the case I first put as to cutlery, the cutler found the rate of his profits less (and probably this fall was not felt by the added portion of capital only, but distributed through the whole trade); but all other trades found their command of cutlery increased, and their profits, so far as they were measured in cutlery, somewhat higher: and when they in return added to their capital and produce, their produce fell again, compared to cutlery; the rate of their profits estimated in cutlery was less, and the profits of the cutler, estimated in *their* produce, recovered in a great degree their former fall. It is a mistake therefore to infer, as Smith appears to have done, that, because an addition of capital confined to one particular trade would lower the rate of profits in it, the like addition of capital in all would, for the *same reason*, and in the *same manner*, lower the rate of profits in general.

Smith was led to form the opinion I have just mentioned, partly by wishing to account for a fact, which he thought he perceived in history. He thought, that profits in general had in fact fallen very greatly in the course of the last two or three centuries in the same countries, while capital had increased; and that they are lowest in the same periods in those countries where there is most capital, as in Holland, for instance, compared to India. But, however true this may be to a certain extent, it appears extremely probable, that he much overrated the degree, and *that*, owing to the na-

ture of the criterion, which he made use of to estimate it. This was the market rate of interest (book i, chap. ix; and see vol. ii, page 9, ed. 1806). "To judge of what the average profit may have been formerly, or in remote periods of time, with any degree of precision," he thinks, "must be altogether impossible;" but that, "some notion may be formed of them from the interest of money. Wherever a great deal can be made by the use of money, a great deal will commonly be given for the use of it," and vice versâ. Now admitting this last observation to be perfectly true, and certainly it is so far true, that nobody will borrow *capital* at an average rate higher than the average rate of profits he can make by laying it out, the market rate of interest does not denote what is actually *given* for the use of money (Note IV). Part of the rate of interest, which each lender charges and contracts for, is always in the nature of insurance; on account of the uncertainty of being repaid at all; and would not be charged or contracted for if the repayment were certain. Now this part is not in fact received, or actually *given*, at all, on the whole. It always represents the average danger of loss, which is the value of the risk. The receipt of it by some people merely balances the whole amount of the losses sustained by others. The whole rate of interest actually received on the whole mass of money lent is only the residue. In bottomry this appears plain enough: the marine interest is allowed by law to amount to any height:

we see two coexisting rates of interest, five, perhaps, and thirty. Every body sees here (what Blackstone observes), that the excess of marine over other interest must be mere risk, and that the real returns of money are not greater there than elsewhere; for capital would flow to that mode of investment, and reduce the rate to an equality. In comparing different places or times, this last proof not being applicable, the fact does not strike us so forcibly.

This uncertainty of repayment is partly in the want of power, and partly in the want of will. We think now, in civilized countries, but little, comparatively, of the latter, because the law assists the creditor. But the law was a mere farce for the Jew in the time of King John, against a king or great baron. His creditor would draw his teeth, or throw him behind the fire. He had to insure the morality as well as solvency of his debtor. One wonders that the rate of interest, under such circumstances, did not become something *infinite*. M. Say goes so far as to infer, from these considerations, that we may deduct so much as eighty-two out of eighty-six, a rate of interest, he says (vol. ii, p. 131, fourth edit.), given in 1360, in order to get at the real return for the money lent. The defect of laws diminishes the *power* of the debtor too, where he is not a powerful person, such as I just alluded to; owing to the insecurity of property: I mean here, not his power to pay this or that *sum* rather than another, but his power to pay whatever

it be that he has *contracted for*, be it more or less, which of course must depend on the *certainty* with which he can calculate his prospects. The returns of his trade or employment may be as uncertain, fluctuating, and unequal, as the gains of the person who lends to him; and it is because they are so uncertain, rather than because they are ordinarily high, that the interest charged by the lender is great. In the observation of M. Say (which Mr. Ricardo has remarked upon in page 374 of his book) he forgets this; and the remark he makes (vol. ii, p. 152), "*que les profits du capital sont d'autant plus grands que l'entreprise est plus hasardeuse*," is not quite correct. They are greater *when there are any received at all*. Prices are charged so as to allow for the risk: but the whole return to the whole capitals employed, taking in what fail, need not be greater than in other trades. We see large gains made; but must inquire, as the philosopher did, "*Where are they painted that were drowned?*" Now in flourishing trading countries, as Holland, the amount of interest charged, as for risk, is less; because if the risk were not there small, they *never could have* become so flourishing in trade, or laid out so large capitals. The error of Smith, in thinking that general extension of capital lowered general profits, because extension of capital in a particular line lowers the profits in that line, was pointed out I believe by M. Say; and he, on the contrary, advances, that production always opens a market for production;

that "chaque produit créé est un débouché ouvert," and that "chaque produit détruit ou consommé est un débouché fermé." Now the term débouché or "market" is all comparative. Nobody denied, that a new product will always, or almost always, find a *market*: the question is, at what price? Whether a profitable market? Whether its production and sale will bring in what were before the usual average profits of stock, or less? The term, un débouché, does not decide this (Note V). The difficulty being, whether it will answer to a man to produce some commodity: you tell him the production will open a market. But not for the thing produced.

If M. Say means, by opening a market or vent (*débouché*), opening a means of profitable traffic, it is not true that the creation of *any* product (*chaque produit créé*) will have that effect, it depends entirely upon what particular article you produce: for where a glut of any particular article exists, the production of more of that, must often be merely mischievous: it is the production of other articles, such as are fit to exchange with it, that is wanted.

The maxim of M. Say is expressed in a short form, and, as a natural consequence, puzzles more than it instructs. He means, that in the production of many things, each furnishes a market for the other. Each, therefore, taken singly, stands in need of a market for itself, just as much as it furnishes one for another commodity produced, or to be produced. He does not mean that it opens more

débouchés than it fills. He does not mean that the production of an additional article increases by so much the whole quantum of demand for articles in general. He only means that it does not, as vulgarly supposed, diminish it.

M. Say applies his maxim to the glut of English manufactures in Italy, Brazil, &c. (Lettres, p. 15.) What is wanted, says he, to put an end to this is, that there should be some articles produced in those countries to exchange with the English ones. This is not a very *practical* way of stating it, because he himself observes that they *could not* produce any such articles. "There is a glut of English goods in Italy, *because* there is not enough produced in Italy." But *fewer* goods have not been produced in Italy than formerly. It would be simpler to say, the English should not have produced (which *was possible*), than to say, as he does, that the Italians and Brazilians *should*.

Where he puts a case (Lettres, p. 7), of a man having taken a rich cargo, two hundred years ago, to Philadelphia, of course it would have been better that it should never have been produced, that the capital which produced it should have been consumed, than that it should have been taken there then.

It might be said (though not by M. Say), that every exchange must be an advantage to both parties, or else they would not make it; but that only shews that the producer is at least better off when he has exchanged his stock on hand than while it

is *on hand*; which every body knows. But that is saying little, since if it is to continue *on hand*, it is absolutely of *no* advantage to him whatever, beyond the very small portion he can himself use. The advantage we are in quest of is as compared with his state before he produced the article, not with his state while it is lying *on hand*.

Now as to the *produit consommé ou détruit*. The *débouché* here is a *potential* one; one which *would* or *might* have taken place. Clearly, if any product in the hands of a person, who was going to exchange it for some other, is destroyed or consumed, a market, which would have existed for that other, is prevented or stopped. And though the exchange might have been to the owner of the first mentioned product unprofitable, or have brought him less than the ordinary rate of profits, still he will never be the better for *destroying* it. Its destruction will, probably, raise the profits of the other producers of the same article, and be a benefit to them, but not equal to the injury to the individual producer. Whether it may not be so little conducive to future gain, that he may as well *consume* it for present enjoyment, may sometimes be a question.

M. Say is wrong (note to p. 80 of *Lettres à M. Malthus*) to say "Je n'ai point dit qu'un produit épargné était un débouché ouvert," he *has*. Mr. Malthus is not attacking the first branch of his maxim "un produit créé," &c., but the second "un produit détruit," &c., and the *converse* of that is,

that if a product which was going to be destroyed or consumed, is not destroyed or consumed, *i. e.* is *épargné*, saved, a *débouché* will exist, which would not otherwise have existed; the proposition which M. Say here disclaims.

Suppose the product consumed or destroyed to be in the hands of one who did *not* mean to exchange it with another; how is any *débouché fermé*? A possible one, certainly; he *might* have exchanged it; but if he did he would have stood in the way of the *débouché* of that particular sort of article in other people's hands, just as much as he increased the *débouché* of the sort of article he exchanged it for. But if it was only a *débouché* which he *might* have made, had it in his power to make, but which he was not at all *likely* to have made, what sense is there in saying, or what practical truth is inculcated by saying, that a *débouché* is stopped? Suppose, in the last case (as I have supposed before), he was a *labourer*, and that the alternative of consuming is keeping a little longer, and consuming then, and that he is idle during the interim (the supposition is not very *likely*, I grant, for a saving labourer is probably a laborious one too), a *débouché* may rather be said to be stopped by the effects of his *non-consumption*, according to the language of M. Say more than any body, as he talks of the *échange appelé production*, and must consider the exchange against *labour* as much a *débouché* as the exchange against goods.

The consumption or destruction which does

harm is where the article would else have been exchanged for labour, which quantity of labour will not now be performed, or be performed but in a less productive line. But it is very strange to call this exchange for labour a *débouché*. And if it is called a *débouché* here, it should be so understood in the case of the former proposition, that production opens a *débouché*; viz. a *débouché* for *labour*; when it would clearly show how little that proposition has to do with any question of rate of profits to the *capitalist*, or consequently of the inducement to lay out capital.

Though that particular argument, or mode of inference, of Adam Smith, which I have mentioned, is probably erroneous, the question itself, whether increased additions to the capital of a country do or do not tend to lower the rate of profit, is still open. And, with regard to the maxim of M. Say, it does not necessarily follow, that because increased production may be said to find a *market* for itself, it finds *such* a market as affords an undiminished rate of profit to the producers. Mr. Ricardo (p. 359, second edit.), after quoting the doctrine of Smith about the cause of the fall of profits, adds, "M. Say, has, however, most satisfactorily shown, that there is no amount of capital which *may not be employed* in a country, because demand is only limited by production." "There cannot be accumulated (p. 360) in a country any amount of capital which cannot be employed *productively*" (meaning, I presume, "with profit to the owner") "until

wages rise so high *in consequence* of the rise of necessities, and so little consequently remains for the profits of stock, that the motive for accumulation ceases." The latter sentence limits (not to say contradicts) the former, if "which may not be employed," in the former, means "employed productively," or rather, "profitably:" And if it means simply "employed," the proposition is useless; because neither Adam Smith nor any body else, I presume, denied that it might "*be employed*," if you did not care what profits it brought.

That which, according to the passage above quoted from Mr. Ricardo, would finally annihilate profits, if the additions to capital should ever go far enough to bring it into operation, and the fear of which, therefore, would of course *prevent* additions to capital from going so far, and would be the *limit* to such additions to capital, is "the rise of wages" above a certain point, "*in consequence* of the rise of necessities." And we might infer, that the same cause, the rise of wages in consequence of the rise of necessities, happening in a less degree, would constitute at every step the cause of the fall of profits from a higher rate to a lower, and be the *only* cause which could possibly occasion such an event. However, Mr. Ricardo does not mean to assert this, but thinks that the wages of labour may rise, and the profits of stock fall, sometimes, *without* that event having been *preceded*, as from the above sentence taken singly we might have expected, by a rise in the price of necessities, but rather

being itself the antecedent cause of a rise in the price of necessities. But this he considers as a temporary state of things only, as an order of events which is but for a time, and which has a tendency to restore itself; and he thinks the general profits of stock never fall *permanently*, except from the cause referred to above; and which is thus stated in his chapter on Profits, p. 110. "Supposing corn and manufactured goods always to sell at the same price, profits would be high or low in proportion as wages were low or high. But suppose corn to rise in price because more labour is necessary to produce it; that cause will not raise the price of manufactured goods in the production of which no additional quantity of labour is required. If, then, wages continued the same, the profits of manufacturers would remain the same; but if, as is absolutely certain, wages should rise with the price of corn, then their profits would necessarily fall." Except (of course) where this effect is counteracted by improvements, machines, &c., rendering manual labour in manufactures more productive (Note VI).

The immediate market for capital, or *field* for capital, may be said to be labour. The amount of capital which can be invested at a given moment, in a given country, or the world, so as to return not less than a given rate of profits, seems principally to depend on the quantity of labour, which it is possible, by laying out that capital, to induce the then existing number of human beings to perform (Note VII).

Though we generally look on production as effected by capital, that being the first mover, labour, of course, is the immediate agent. Every man who would lay out more capital in production, must call forth more labour, either of people already in some degree employed, or of others, than would else have been called forth. But the portion of the whole mass of possible labour, which has been already selected by other employers, must have been that portion which could be had cheapest; he must, therefore, in determining to employ more labour, determine *ipso facto* to reward it a trifle better than labour was rewarded before. That is, he must make such a bargain with the men he employs, as to exact from them, in return for the whole portion of his capital which he pays them in wages, somewhat less labour than former employers got for the same wages. And that is saying, in other words, that he must expect less *profits*; because less produce: for, as before observed (Note VIII), I am laying out of the question now the case where a new saving is effected, by machinery or otherwise, on the labour in that branch of production; or, what comes to the same thing, where something, which will confer a greater degree of human enjoyment, comes to be produced with a quantity of labour equal to that which would before produce something which would confer only a less degree of human enjoyment.

Then the effect will be, as far as relates to profits, just the reverse of that produced by a saving in labour. But by transferring to the labourers a por-

tion of that command over things in general which he possessed, the man we are speaking of has, probably, caused an increase of demand for necessities, in proportion to that for superfluities, as compared with what would have been the proportion between those two sorts of demand, if he had exerted that command to procure things for his own consumption. Necessaries will thereby exchange for more of things in general, and superfluities for less: or, in other words, a given quantity of the necessities of life will exchange for more of the superfluities of life, and vice versa, than would otherwise have been the case. And, in part, at least, these necessities will be *food*. Nor will this alteration of relative demand be made up for at the end of the particular act of production, which we are supposing this capitalist to be engaged in, by a corresponding alteration in the relative *supply*; partly, because it cannot be (from the nature of land), at the same price, and partly because it is probable, that the capitalist or capitalists in question were determined, in their choice of the particular article or articles which they meant to produce, by the state of relative demand when they began, and not by the consideration of the alteration which would be produced in that state, during the course of their production, by the effect of the wages they were going to pay.

The rate of wages then having risen, is, in this case, as we may say, the *same thing* as the fall in the rate of profits; and the fact of the whole amount paid as wages having increased

too, is, by raising the demand for corn above that which was (as compared with the actual rate of supply) the *effectual* demand for it, the *cause* of resorting to inferior soils, or employing more labour with diminished returns, on land.

Now Mr. Ricardo says, that such a fall of profits as I have just described may, indeed, happen; but that, owing to the principle of population, it would be but temporary; the supply of capital would have outrun for a time that of men; but the supply of men *would* in time bring things to a level again, *but for* the increased difficulty of raising corn, and consequently increased price of corn, and *consequently* increased wages, which would have taken place in the mean time. At all events, then, the increased price of corn was not the *original* cause of that rise of wages which made profits fall, but, on the contrary, the rise of wages was the cause of the increased price of corn at first, and the nature of land, yielding less and less proportional returns to increased tillage, made part of that increase of price *permanent*, prevented a complete *reaction* from taking place through the principle of population. Because the labourer found that the increase that took place in wages, the increased command over things in general which was afforded him, was continually less and less in proportion a command of necessities, and more and more in proportion a command of superfluities; and it is the former only that can constitute an increased inducement to rear a family.

However, we must recollect, that it does not

follow that, even otherwise, the principle of population *would* have brought matters to a level. People are not obliged to take advantage of improved circumstances to increase their numbers to the full extent which the improvement would admit of. The degree, in which they do so, varies continually. The "principle of population" is not a strict, invariable principle, like the laws of motion, by which water finds its level.

In every case the laying out of capital increases the demand for labour, increases the rate of wages, and lowers the rate of profits (if no new saving in labour is effected by it), beyond what *would* have been the case, had that capital not been laid out; but it need not be below what it *was before*; because the supply of labour *may*, just at the same time, be increased as fast or still faster than that of capital: as must happen, for instance, during such a *reaction* of population as was just now supposed.

The rate at which population is increasing at any time, may be considered as in some degree owing to the rate at which additions *have of late* been usually making to capital, and at which they are expected to continue; the addition to capital therefore, at any time, *may* be merely such an addition as was *looked for*, as the rate of increase of population had been framed *in expectation of*; such an addition as, had it *not* come, profits would have *risen*, compared to what they were before. The question will always be, which of the two is at a given time increasing fastest. But owing to the increased dis-

position of mankind to be frugal and seek for gain, and owing to the length of interval which elapses before the supply of *men* can be increased to meet an increased demand, and owing to the increased prudence and desire of comforts among the poor, preventing the increase of men from being fully in proportion to the demand (Note IX), it seems to me that the demand might be, as it were, *permanently ahead* of the supply, and consequently the profits of stock be permanently falling, from this cause only, over and above the fall which arises from the nature of land. Supposing the degree of inclination to save and gain on the part of the capitalist, and to labour and to increase on the part of the labourer, to remain unaltered, or both to increase in equal proportions, the effect of increased cultivation in raising permanently the price of corn, would be borne partly by the labourer and partly by the employer: the labourer's wages would not be raised in fully equal proportion with the price of corn, nor would they, on the other hand, remain quite stationary: profits would indeed fall, but the amount of the labourer's command of food would also be somewhat abridged. The increased difficulty of procuring food, indeed, would not raise the wages of the labourer at all, except so far as it could be made to influence the relation between the supply of, and demand for, labour. "Common humanity," which Smith refers to, has, as Mr. Malthus justly observes, nothing to do with this.

Besides the effect produced by that part of capital which is spent in *wages*, we may observe that the other part, which is spent in materials, tends on the whole, probably, to create a greater demand for raw produce, in proportion to manufactured produce, than if the money had been spent in articles of immediate consumption, and not as capital. Part of this raw produce, may, indeed, be foreign; but on the whole an increasing disposition to employ capital seems to me to *push demand* (as it were) more and more in the direction of raw produce, that is, ultimately, of land, away from the more worked-up sorts of products.

The profits of stock are the remuneration for the increased productiveness conferred on labour by capital (Note X). Where you have made an addition to capital, which in proportion to the labour and materials, &c., it employs, can produce *more* of human enjoyment than the same portion of capital usually did before, or than the last preceding addition did (as in the case of some new inventions, newly-imported foreign commodities, or of a saving of labour effected in any former branch of production), you may reasonably expect at least *as high* a rate of profits as was the average rate before. Where you have made an addition, which, in proportion to the labour, &c., it employs, can produce only *as much* of human enjoyment as the last additions could, you cannot have a higher rate of profit than was the average rate before; but you may, as already observed, have a lower, because you may

be obliged to make such a bargain with your labourers, &c., to pay them so much higher in proportion than labour, &c., was paid before, as that your produce may not be so great in proportion to the *capital* you have laid out, as it is in proportion to the *labour*, &c., employed with that capital in the production, and your undertaking, though *equally productive*, may not be so *profitable*. Lastly, where you have made an addition to capital, which in proportion to the labour, &c., it employs, can only produce *less* of human enjoyment than the same portion of capital usually did before, or than the last preceding addition did (which is generally the case where it is applied to *land*), the profits must be less than what was the average rate before, as far as depends on this cause; *besides* any fall that they may undergo owing to the bargain made with the labourer, &c., as in the second case. Additional capital, therefore, is never, naturally, applied *first* to land. Production must increase in other lines; profits in farming must *rise* beyond what they were; that is, a given quantity of agricultural produce command a larger quantity of things in general, in proportion to what is required for the labour, &c., that produce it, *before* it will be *equally* worth while to add to agricultural capital as to add to capital in other lines.

I repeat, then, that the proposition, that production is only limited by production, finds its own market, &c., must not be understood as pronouncing on the actual *degree* of *profits* that increased pro-

duction at any particular time and place will afford. It is nothing to say, that the products will exchange with one another at the same rate as before: the question is, in whose hands are the products? If a larger proportion than before must be put into the hands of the labourers, they may all exchange at the same rate afterwards (if you choose to consider commodities as exchanging with one another), but the *producers*, I mean those who set on foot and direct production, masters, capitalists, will not make so much: or, to put the same thing in another shape, products do *not* all exchange with one another, but some with labour and land. Profits do not depend on price, they depend on price compared with outgoings (Note XI).

The interest of the public is always so far the same with that of the capitalists, that the more capital is employed, and consequently the greater amount of gain made on the whole, though the rate of profits should be less, the better for the public, that is, for consumers. No man, who is not a despot, or a thief, can himself gain unless by conferring some benefit on others in return. But this gain is the gain of *new* capitalists, or of capitalists considered as owners of *added* capital. The interest of the public (I mean, of course, the present interest, that is, considering this as not interfering with the former object), is opposed to that of the *actual* owners of *actual* capital at any given moment, supposing no addition. The *lower* their rate of profits, of course, the better for the public.

A change of profits, owing to a saving of labour, however, is a benefit to both.

The effect of laying out capital seems to be, that where a certain quantity of superfluities would have been consumed this year, a quantity of necessities nearly equivalent will be consumed, which else would not; and so on every year while it remains in: and that much more than the former quantity of superfluities will be consumed too, but divided among many years. The benefit to the labourer is much *greater* than that to the capitalist (if he could not have got work but by the help of capital), but it is not obtained *at the expense of* that of the capitalist. The *proportion* of necessities consumed, and consequently demanded and produced, to that of superfluities, may be increasing, and yet the *quantity* of superfluities consumed and produced be increasing too. I say this with reference to the question of Mr. Malthus, who says, that, in increasing production, more and more is devoted to the production of necessities, and asks, how can that be an *object* or an *inducement* to the rich? Every body knows that it is not their *object*, but the necessary *incident* to, consequence of, the attainment of that which is their object, gain to themselves.

Wherever an addition is made to capital, which brings, and which is from the first expected to bring, less than what was before the ordinary rate of profits of stock, it is plain, that the absolute amount or degree of disposition to save, in order to

gain, is greater than it was. Before that time nobody added to capital unless they could make, say ten per cent.; now they will do it though they can only expect nine and a half. To say that people are more disposed to save and gain, *means* that *more* persons are disposed to lay out capital in the hope of the former profits; or else that the same persons, who laid out capital in the hope of the former profits, now think it worth while to lay out more in the hope of somewhat *less* than the former profits; probably both. If it is new gains that are so laid out, it comes to the same thing; if new gains were formerly laid out, or added to capital, in the prospect of ten per cent., and now in the prospect of nine and a half, it is clear that a less degree of gain is now felt to be a sufficient inducement, that a less degree will now induce people in general to lay out capital, to save rather than spend, than formerly (Note XII). Though the addition were not expected to bring less profits, still if, after it is found that it does so in fact, the increased amount of capital on the whole is still retained in business, it comes to the same thing, the absolute amount or degree of disposition to save is clearly greater than it was. It is plain, therefore, that merely to shew, that an increased production will lower profits, is not to prove that it will therefore defeat itself in the end by diminishing its inducement, and cause a *reaction* equal to, or greater than, the *action*, so as that wealth will not have been increased, or will be diminished, on

the whole. For, first, the producers must have contemplated, in part at least, this fall of profits, and do not require the same rate of profits, as an inducement, as they did before; and, secondly, if they did not contemplate it, they may yet acquiesce in it when it comes. There is a great deal in habit: a fall of profits, which would have discouraged a man from embarking his capital, may not induce him to withdraw it (Note XIII). Nor does the assertion, that increased production lowers profits, prove that such increased production will *not happen*. For if it be true, that profits have been in modern times gradually falling on the whole, this is what must have been continually taking place. If, owing to the increased cultivation of land, or any other cause, the increase of capital *necessarily* leads to a lower rate of profits, it is clear, if an increase of capital does take place, that the absolute disposition to save is increased in degree and amount.

We often hear of the importance of a taste for employing what is called productive labour, rather than unproductive (Note XIV); of the importance of a taste for comforts, and superfluities, and independence, among the labourers; of a greater or less taste for indolence rather than exertion. But frugality is a matter of taste, too; of habit and fashion; of disposition and temper. One man thinks it worth while to save money, or to submit to the labour of managing a concern, for small gains, while another is not tempted by large: and there

may certainly be at one time or place more of the former sort of men than of the latter.—See Hume's Essay on Interest (Note XV). There are many things which can only be accounted for by the varying tastes and *habits* of man. Nothing is more dogmatical than the maxim we often hear, that man is always the same. No two men are the same. Why then two nations, or generations? (Note XVI). Mr. Malthus seems to think, that taking the existing rate of profits at any time, the operation of it in encouraging production would, if it had its full swing, increase production so much as to lower profits, and thereby discourage production again. But suppose it to be true, yet (if we are not talking of sudden or partial accidental changes) that would only occasion the withdrawing so much capital as will bring up the rate of profits again. And then it would at least have been useful while it staid in. Nay, capital need not be withdrawn; it would be enough if no more additions were made. It seems an evil, which cures and regulates itself. Indeed, it may be said to prevent itself. For at every step of this process, if it be true, that a certain degree of profit (say ten per cent.) is necessary to induce a continuance of increase of production at the present rate, capital will cease to be invested so fast, at the moment the owner perceives that no more than nine and a half per cent. or nine and three quarters offers itself. Or does *he* imagine that he shall get ten, while we, the philosophers, knowing better, advise him to

hold his hand? How do we derive this superior insight into his concerns? Besides, I think, that (*taking one sort of production with another*) a man feels, at *the moment of commencing* the production, that he is doing so at less profit, if the fact be so. His less profit, as already observed, *consists in* the worse bargain he makes with the labourer, &c., at setting out. Even if the conclusion be true, then, that receiving less than ten per cent. would discourage production, it only proves that that state of things will never happen; people *will not* produce to such an extent as will bring down profits below ten per cent.: and if they will produce to that extent, it only shews, that they do *not* require so great an amount of profit as an inducement, and therefore will *not* look upon the less amount as a discouragement.

That a "passion for accumulation" should destroy the motive for saving, seems a contradictory apprehension. The meaning of an increased passion for accumulation must be, that people *require less* motive for saving. Why, then, an extreme degree of production must end in a "marked depression of wealth and population permanently" (Malthus, 369), I cannot conceive.

Considering, that an increased employment of capital will not take place unless a rate of profits equal to the former rate, or greater than it, can be ensured, and considering, that the mere addition to capital does not of itself tend to ensure such a rate of profits, but the reverse, Mr. Malthus, and those who rea-

son in the same manner as he does, proceed to look out for some source, independent of and extrinsic to production itself, whose progressive increase may keep pace with the progressive increase of capital, and from which continual additional supplies of the requisite rate of profits may be derived. Such a source is what Mr. Malthus appears to seek for, under the title of "stimulus to the increase of wealth;" and he proposes many, which he afterwards determines to be insufficient. Among these he introduces accumulation itself, or the addition to capital; but that is itself the thing, which we are seeking to find a stimulus, or motive, for. If it has taken place, we have already obtained that which we are in search of, even though this addition may not form a stimulus to any further additions.

An extrinsic cause, capable of constantly supplying an undiminished rate of profits to an increasing amount of capital, must be such a cause as would have *raised* the rate of profits if the capital had *not* increased.

I have already said, that it does not seem to me to be necessary, as a motive to the increase of capital, that the rate of profits upon the existing capital *should rise*, or that profits upon the added capital should be the same as they were on the former; but that to obtain (if it is necessary) as high a rate of profits, in a given country, and in continual progression, as the nature of things will admit, considering the exhaustible nature of land, the requisites are, increased numbers and manual

industry, and the application of labour in such a way as to produce a larger proportion of what is desirable to man. Mr. Malthus thinks, that besides all this it is necessary, as part of the fund or source from which profits may be obtained, that there should always be a quantity (and of course it must be an increasing quantity) of the necessaries, &c., of life, placed at the command of those who are not capitalists, nor manual labourers, nor landlords: he calls them *unproductive consumers*.

Mr. Malthus enumerates several different things which have been or might be suggested as causes of the increase of production and of wealth, and successively determines as to each, that it is not, considered separately, a sufficient stimulus to such increase. But he passes rather summarily over the question, why *all united* may not be sufficient.

He denies that increase of numbers can increase wealth. He does not very clearly state what he means. Whether, that it has no tendency to add *at all* to the quantum of products; or, not to add to products in an equal *proportion* to that in which it adds to numbers (see the beginning of this tract); or, not in such a degree as that each individual of the *labouring* class may be as well off as before; or, not in such a degree as that they may be as well off in proportion to the work they do; or, not in such a degree as to add to the *net* produce, &c.; all as different questions as can be. "The increase of population alone; or, more properly speaking, the pressure of the population hard against the

limits of subsistence, does not furnish an effective stimulus to the *continued increase of wealth*" (p. 348): "if want alone, &c., were a sufficient stimulus to *production*" (ibid.): "many writers have been of opinion, that an increase of population is *the sole* stimulus necessary to *the increase of wealth*, because population—must—keep up the demand for an increase of produce, which will naturally be followed by a *continued increase of supply*" (p. 347): "an increase of population will not furnish the required stimulus to an increase of wealth *proportioned to the power of production*" (p. 350): "the *slowest progress* in wealth is made where the stimulus arising from population is the greatest" (ibid.): whether "population alone can create *an effective* demand for wealth" (ibid.): "furnish an *adequate* stimulus to the *increase of wealth*" (p. 351). Scarce any two of these expressions convey distinctly the same meaning.

It is evidently absurd to say, that however different two countries may be, and may always have been, in every respect, the natural tendency to increase of numbers alone will have occasioned the same proportionate increase of wealth in each, reckoning from their first peopling. If *this* is the proposition Mr. Malthus is here answering, it scarce deserves an answer; inasmuch as some countries, as he observes, do not increase their wealth at all, in any sense of the word; do not increase their numbers, nor make those numbers better off. But I should apprehend, that whenever

any man asserts, that the tendency to increase numbers is a sufficient stimulus to an increase of wealth, he, at least, means, *supposing* the obstacles from bad government, permitting and committing acts of plunder and oppression, to be removed; and, secondly, I should apprehend, that, having made that supposition, such a person merely means to say, that as to any *positive* stimulus, beyond that of protecting industry, and making it free and equal, you can apply none, but must patiently trust to the effect of the principle of population, which will give in each country that stimulus to increase of wealth, which the natural situation and advantages of every kind will admit. As to which, the plain truth, of course, is, that though it may be true that the *government* can apply no positive stimulus, yet that two countries, equally well governed, equally peopled in proportion to their extent, equally situated as to every natural advantage, may be increasing in wealth at unequal rates, owing to an unequal disposition to gain and frugality, past and present, among the richer portions of their respective inhabitants; and owing to an unequal disposition to work, among the poorer; and unequal skill in both classes; though the natural principle of population, or tendency to increase, may, probably, be the same in both countries. An increasing supply of numbers is not always an increasing supply of *labour* in the same proportion; and if it were, it requires an increasing supply of capital, which it does not necessarily provide,

though it may facilitate. Just in the same way as an increased supply of a certain *particular article*, which is not more wanted than formerly, will do more harm than good to the body of producers of that article, and but little good to the world, unless it be matched by an increased supply of certain others, fit to exchange with it; which last supply is encouraged by the former, but not absolutely compelled.

When Mr. Malthus quotes Poland or Turkey, on this question, against his imaginary opponent, one would think he must suppose, that such opponent had asserted, that the tendency to increase would be a *greater* stimulus to wealth in those countries, than in more flourishing ones. For it *would* be a greater stimulus, if it produced *any* increase *there*, where it has so many more obstacles to overcome. One would not have expected this from his observation just before (p. 346, at bottom), that there are countries "*not essentially different in the security of property*" or *degree of education*, "which yet, with nearly equal natural capabilities, make a different progress in wealth:" and that it is the reason of *this*, which he intends to inquire into.

The question must be, what effect will an increase of numbers have, as to increase of production, supposing men in other respects to be of the same *dispositions* as before; which does not mean, to act in the same manner, but to act in the same manner *in proportion* to any change, which the supposed event may make in their circumstances.

Mr. Malthus (349) supposes, that the fall of wages, which a fresh increase of numbers would occasion in the first instance, would lead in a little time to a fall of the value of produce, which would *more* than counterbalance it. Of this there is no proof at all. I do not know in what he *estimates* this *fall* in the value of produce. If in labour, it is synonymous with a rise of wages, is *beneficial* to the labourer, and cannot happen, under such circumstances, so as to injure the capitalist, unless he pleases ; that is, unless he has increased his capital, and taken lower profits.

In the next section, Mr. Malthus says, that neither is accumulation a sufficient *stimulus* (*cause*, I should have thought ; see above) to the increase of wealth. “ *It has already been shewn,*” he says, “ that the consumption and demand occasioned by the persons employed in productive labour, can never alone furnish a motive to the accumulation and employment of capital ; and, with regard to the capitalists themselves, together with the landlords and other rich persons, they have, by the supposition, agreed to be parsimonious,” &c., and then he asks, where are purchasers to be found ? But it has not *been shewn*, in the former chapter, that the increased number of productive labourers does not furnish any motive to the accumulation of capital ; it has been shewn, that such a circumstance will not better the condition of the labourers themselves, one with another, that is, will not increase their means in proportion to their numbers, *unless*

there is a corresponding increase of capital ; but Mr. Malthus *is* in this chapter *supposing* that such increase of capital *takes place* ; he cannot have the benefit of two contradictory and incompatible suppositions at the same time. If these rich people are become more parsimonious, then, even if it be true that there is not so great inducement to accumulate, they do not *want* so great an inducement. Capital and labour may be considered, in some sense, as each the market, mutually, for the other ; they are so treated by Adam Smith. An increase of either, alone, may only stand in more need of a corresponding increase of the other ; but it is strange, if an increase of *both* will not answer every purpose. Mr. Malthus seems to be satisfied with the conclusion, that whenever either gets the start of the other for a time, there will be a reaction, that will depress things even *below* the point they started from ; but there is no proof of this ; the contrary is more conformable to fact : I mean, that it will not even depress it *so far* as to that point. *Semper aliquid hæret*, I apprehend : *habits* of industry and frugality are not implanted by nature, and, when excited by circumstances, or in any way formed at any particular time, they may subsist as habits, and not entirely withdraw themselves again when their immediate cause is withdrawn.

Every step in the course of national improvement is, I believe, the *effect*, and the *cause* in its turn, of an *increased* disposition in the poor to work, and in the rich to save and produce. That is, in the poor

man to work more, but for *less* real wages in proportion to the trouble he takes, though for more in proportion to the number of days he lives as a workman, than before; and in the rich, to save and produce more, but for a *less* rate of profit than was before required by him as an inducement. "What good," it may be asked, "results to the community? It should seem by your account as if both branches were, by their own choice, worse off than before." To the rich, that the wealth of many is increased instead of being stationary; that is, affords an annual produce, on which they may live, instead of eating up the principal sum itself: to the poor, that they may increase; that they may have the pleasure of rearing families, and that *more human beings*, capable of enjoying all that human beings (even poor) are born to, exist. To both, the *moral* felicity occasioned by labour instead of idleness, usefulness instead of prodigality, and waste, and ruin.

In this section of Mr. Malthus, commodities having fallen in exchange for labour is said to check production. In the last section, labour fell in exchange for commodities, and yet that did not encourage production. Production is very hard to be pleased.

When the rich "agreed to be parsimonious," they thereby agreed, that the poor should consume for the present more than they otherwise would have done, in order that they themselves might, at some future time, consume more than *they* otherwise would have done. There seems, therefore, no

such difficulty of providing *consumption* enough, as is anticipated by Mr. Malthus. As long as the rich choose to be postponing the period of their own consumption, they are increasing so much the consumption of the labouring poor. If, indeed, they obstinately choose, under these circumstances, to produce for the present more of *those particular* articles of which they have, by the supposition, determined for the present to consume less, they will most likely be losers; but that is *particular* and *comparative* excess of production; and why is it necessary to suppose they will do any thing so absurd? Yet this is obviously the supposition which is secretly haunting Mr. Malthus's imagination, when he is arguing against excess of production in *general*.

Of course, we are not allowed, on any account, to take into consideration here, that the addition of capital may reasonably be expected to lead to improvements in the productiveness of labour (Note XVII). We are never, upon Mr. Malthus's plan, to consider more than one thing at a time.

"Upon this principle," he says, "it is supposed, that if the richer portion of society were to forego their accustomed conveniences and luxuries, with a view to accumulation, the only effect would be, a direction of nearly the whole capital of the country to the production of necessaries, which would lead to a great increase of cultivation and population. But, without supposing an entire change in the usual motives to accumulation, this could not possibly happen," p. 360. I have already noticed

this. If this be true, it follows, that, 1. It either would not happen at all ; and it seems unnecessary to inquire whether, if it were to happen, it would make a country, which had been " rich and populous" (p. 363), " infallibly become poor, and comparatively unpeopled" (though why it should have that effect, I am unable to conceive ; and here again I must suspect, that the *present state of things*, when the reaction has been *sudden, unexpected*, artificially caused, and aggravated, is running in Mr. Malthus's head) ; 2. Or, if it did happen in any degree, it must be owing to a proportionate " change" (not, I conceive, an *entire* change) " in the usual motives to accumulation ;" that is, by a disposition to save more, and take a less *rate* of profits. And why should it not?

It is certainly absurd to suppose (particularly in a landlord, the case Mr. Malthus here puts) saving pushed permanently to an extreme ; that is, constant saving for the sake of gain, which *never* is to be enjoyed. But why does the proving that that is absurd, and cannot happen, prove at all that it may not be true, that every addition to accumulation, when it *does* happen, will be beneficial?

Mr. Malthus may say, perhaps, that he is reasoning *ad absurdum* ; that he is shewing, that because certain evils would follow, if production were to go beyond a given point at any particular time, therefore it will *not* go beyond that point. But what then ? We know already, that production is

always carried to a *certain point* at any particular time, and not beyond: Has *Mr. Malthus* any receipt for carrying it beyond? Will the keeping up a certain number of "unproductive consumers" do it? That is the question.

"No nation," says *Mr. Malthus* (370), "can possibly grow rich by an accumulation of capital, arising from a permanent diminution of consumption." That means, by the whole nation consuming every year less than they did the last; meaning, by consumption, not destruction, but the final consigning commodities into the hands of those who are to use them for their own enjoyment. Whether the proposition be true or not, it denies that which I apprehend was never asserted. Even those, who most eagerly stand up for accumulation, hold the language of *Smith*, that "what is saved is as much consumed as what is spent, only consumed by a different set of people" (see *Say*, "Lettres"). The diminution of consumption by the individual accumulators, means merely, that the commodities are given to be consumed by people, who meanwhile work so much as to produce, after a certain *interval*, a greater quantity of consumable commodities. If, indeed, the *interval* is long (as, if at some particular time a vast quantity of machines were to be made, or land manured, &c.), there will *possibly* be an actual falling off of consumption, in the course of it, as compared to the consumption before it began; but, probably, this never actually happened; and, except in such a case, accumulation

and saving does not *in the least* suppose diminution of consumption by the nation at large ; all that it supposes, as to the nation at large, is increase of labour.

If, indeed, a *sudden* extension of saving were to take place at some one moment, and then, *all at once*, some time afterwards, the capital be withdrawn again, in order that its owners might realize their profits, great distress would prevail ; for that supposition means, that at some moment the owners of the subsistence of the labourer withdrew it from him ; told him he had worked long enough, that they now meant to enjoy it themselves, increased as it had been by their long course of production, which was now to stop. This is the sort of case Mr. Malthus seems to have in view ; but it is, indeed, morally impossible. Why should all people leave off just together, having previously all carried on saving to the utmost ?

Accumulation, as Mr. Malthus observes, does not require diminution of the *actual* rate of consumption, it may be made by savings out of *increased* means, and be thus a diminution of *possible* consumption only. By *such* a "diminution of consumption," of course, a nation "*can* grow rich."

"The limits (370) to such an increase of capital from parsimony, as shall not be attended by a very rapid diminution of the motive to accumulate, are very narrow," &c. I cannot conceive, if *increased degree* of parsimony be here meant, how it can

exist without admitting of a diminution of the *motive to accumulate*; or (if you choose to express it so) of a diminution of the rate of profits (which is what Mr. Malthus here means), which yet shall not operate as a diminution of the motive to accumulate.

What is wanted, according to Mr. Malthus (372), is an increase of effectual demand. How we are to get this, except by an increase of numbers, or by an increase of production on the part of the existing numbers, I cannot conceive. Revenue can be furnished no other way; and both these Mr. Malthus denies us.

In page 417, he says, "general wealth, like particular portions of it, will always follow effective demand. Whenever there is a great demand for commodities, that is, whenever the exchangeable value of the whole mass will command more labour than usual at the same price," &c. Now the demand here spoken of is entirely the demand of *labourers*; a demand consisting in the offer of *labour*. But the demand created by the labourers, who are employed in producing any commodity, is, he says, *not* enough to stimulate to the production of it; for, taking commodities one with another, when the labourers had consumed all their shares, either there would be no surplus, and then what have the master producers gained? or, if there is a surplus, no demand has been provided for *it*, and how then are those who have produced it, to turn it to account? (Note XVIII). It seems hardly worth

while to start this difficulty, and to ask this question, since he afterwards admits, that the master producers have nothing to do but to sell the surplus to one another, whereby they consume it all among themselves. But then the prospect of being able to do this is not, he thinks, inducement enough to produce. It will not be mended, then, at any rate, by making the inducement less, by transferring part of the surplus to other people.

This argument, he uses against the demand by the labourers, would be just as good against the demand by unproductive consumers; when the demand of *these* has done its best, since it has been all furnished by the producers, we may still ask, what are the producers the better if there is no surplus; and if there is, how are the producers to dispose of it? This difficulty about disposing of the surplus arises entirely from confounding the case of one producer, or perhaps of producers of one town or country, considered with reference to others, with that of the whole mass. *One* producer must get rid of his produce; for it is all of one kind, and he does not want a thousandth part of it himself. But *the mass* of producers do not want in the least, *as a mass*, to get rid of their produce. Each gets rid of his share by exchanging it with the others. The difference between production and consumption leads us sometimes to fancy, that those operations must be carried on by different bodies of men; but it is quite plain, that this is not necessary.

In the section on Fertility of Land, Mr. Malthus observes (376), that a large and fertile country seldom makes full use of its natural resources, while small and unfertile countries have sometimes arrived at wealth far out of proportion to their physical capabilities. He does not here enough include *situation* among "physical capabilities." For instance, his "fertile country" may be inland, intersected with mountains, unprovided with rivers, or not commanding their whole course to the sea; his unfertile country, a small tract near the sea, and centrally situated with regard to those other countries, whose natural products are of such kinds as to render exchange profitable to both. Some of the *small states* he is perhaps alluding to, are little more than *great towns*: the division into "countries" or "states," for this purpose, is in some measure arbitrary and nominal (Note XIX).

In countries where, from natural fertility, or the common use of a cheaply-raised vegetable of food, habits of industry have not been formed, capital, Mr. Malthus (400) thinks, is likely to be less beneficial, &c., than a change in the tastes and habits of the lower classes of people. But, I take it, such a change generally *follows*, not *leads*, a change in the tastes, &c., of their betters. Labour does not go in search of capital, capital goes in search of labour. Our ancestors, he thinks (377), were *obliged* to keep idle retainers, *because* there were no manufactures brought to market for them to lay out their money in. The employment of capital,

then, in this case, when it came, must have changed the "habits and tastes" of the rich and poor both; and not been *induced by* a change in those habits and tastes. When he quotes Mr. Ricardo's observation, that he who is rich may easily get labourers to put him in possession of what he wishes, and asks, why, if so, were our ancestors *obliged* to keep idle retainers?—we must answer, that in part, at least, the reason was, that idle retainers *were* "the objects most useful and desirable to them." Even now, riches are laid out as much in gratifying pride as pleasure. Now what shall be a gratification to pride, is a matter merely of *fashion*. In feudal times, too, every rich man was a sort of king; *defence*, and military strength, was a real "object" to him.

Mr. Malthus winds up (413), by saying, that "accumulation of capital, fertility of soil, and inventions to save labour, all tend to facilitate supply, *without reference to demand*, and that therefore it is not probable they should, either separately or conjointly, afford an adequate stimulus to the continued increase of wealth, which can only be kept up by a continued increase of the demand for commodities." I wish I could even guess what sort of "demand" it is that Mr. Malthus is here looking out for; just before, he has appeared to mean a demand arising from people being induced to *labour* more; and yet that must add to *supply*, too.

Mr. Malthus sometimes talks as if there were two distinct funds, capital and revenue, supply and

demand, production and consumption, which must take care to keep pace with each other, and neither outrun the other. As if, besides the whole mass of commodities produced, there was required another mass, fallen from Heaven, I suppose, to purchase them with. But the fund for purchasing one thing must always be furnished by the supply of another. "But there must be the *will* to consume, as well as the power." Is there any danger that people should not be found, ready enough to consume *something*?

The fund for consumption, such as he requires, can only be had at the expense of production. It is only attainable by lessening production below what it would else have been. How does it then increase production? You may wish that production increased faster than it does, that the limit to its increase were removed; but I want to know, wherever that limit may be at any given time, how can the proposal, that people should produce *less*, remove it any further off? The limit arising from the labour market, or from land, I can comprehend. We must, in some degree, wait for the former to keep pace with the increased supply of capital. The increased supply of capital promotes, indeed, the increased supply of labour, but not immediately, always; nor always, necessarily, to the same extent: whether we mean, by supply of labour, more people, or increased inclination to work. This part of the demand for capital is, in some degree, independent of it. And the land market

cannot be extended at all, and is quite independent. But consumption in general is not a separate fund.

Mr. Malthus thinks, the only fear is of capital being supplied *too fast*: Of mankind being *too* ready to sacrifice the present to the future! Some people, with Adam Smith, suppose, that people are always too much *disinclined* to save for future gain. Capital will always be supplied, he says, as fast as it is wanted, without the aid of *patriotism*. If it is supplied as fast as it is wanted, why has it a *price*. So far as "patriotism" is the motive, interest is not; and the service or use of the capital is, *pro tanto*, made a *present* to the consumer. This must surely be a *benefit* to him; and it is difficult to say, *when* such a benefit is not *wanted*. If, indeed, it is conferred *suddenly*, *partially*, and *temporarily*, it may, undoubtedly, do more harm than good in the end.

However, if people *are* so furiously bent on saving, so much the less need must there be of the consumption by the *capitalists themselves*, as an inducement to their increased production. And if the fear is, lest there should not be consumption enough by *any body*, lest people should deny themselves enjoyments to an absurd extent, we may postpone that apprehension till there is the least symptom of its being a reasonable one. Mr. Malthus puts such a case. No doubt, it is *possible*. It is *possible* to conceive a state of things, in which the observation of Smith, "that what is an-

nually saved is annually consumed, only by a different set of persons," may be no longer true. In the present state of things, saving, by some persons, in order to produce, increases at the moment the means of consumption possessed by landlords and labourers. But *these might* save, too; turning all they got, beyond mere necessities, into capital: and go on doing so for a long time; and they might be great fools for doing so. *If* they saved and produced, however, that is, laid out their savings as capital, without diminishing the work, if any, which they did before, they certainly would add to their wealth, that is, to their *means* of enjoyment, though they did not choose at present to avail themselves of those means. But if they took advantage of their diminished desires to work less, the public might, probably, not be so rich as they would else have been: but this is not the case Mr. Malthus is here putting; nobody, he says, means, by saving, mere hoarding, nor would it serve at all to meet the real case which it is directed against, which is a case of saving *and producing*.

There are sometimes lumped together, under the name of profits of stock (sometimes by Smith himself, Note XX), two things which are distinct from each other, though it is difficult to draw a line that shall exactly define the limits between them. M. Say calls the one, hire of the productive service of the capital, and the other, wages or reward of the labour of management. Now Mr. Malthus, where he anticipates that when profits

are lowered by competition. "pushed to excess," people will not, merely for the sake of increasing their command of luxuries, "submit to the drudgery of a counting house," considers only the latter of these. The person, who thus retires from the counting house, who thus withdraws his *labour*, is not, on that account, likely to withdraw the assistance of his *capital* from the concern. Now the more capital there is, the easier can it be borrowed; and the easier it can be borrowed, the larger share of a given profit will remain for the salary of the labour of management, to tempt some other person to come in the place of him who has thus retired.

Mr. Malthus's object is to discover the means by which production may be increased, permanently, to the greatest possible extent. In order to effect this, he thinks, the point is to keep up an increase of demand. But demand cannot here mean, as it does when we speak of a demand for this or that particular article, a quantity of other goods in the hands of other people; because we are now speaking of all the goods that are produced, and there cannot, therefore, be another universe of goods forming a demand from without. 1. So far, then, as demand means an exchange of goods, it is insured by increased general production; it is, if it means any thing, the same with production, supposing the means of *communication* to remain the same, or, as is probable under such circumstances, to be increased: the increased demand for one ar-

ticle would be the increased supply of another, and the demand for the *whole* is, in this sense of demand, unmeaning. Then there is, besides goods, nothing in which demand can consist, except land, and labour of all kinds. 2. The demand on the part of land cannot be increased; the land has a certain extent, and no more. "The demand of the landlords for goods, may," it is said, "be increased; if they receive more rent, they are demanders of produce to a greater amount; or, if they keep servants, they are still demanders through the medium of those servants." They are not increased demanders in any sense, which can constitute an increased inducement to produce: to say that they have a greater demand, is only to say that they take more from the producer, and give him no more in return than he had before of them. So, the receivers of taxes (I mean those who spend them, not the *collectors*) are supposed to constitute a demand; but in whatever form, and by whatever medium, this operation of paying and receiving taxes may be carried on, the whole effect and substance of it is, that a portion of the whole mass of things, produced by the whole mass of producers, gets into the hands of people who do nothing, and give nothing in return. You may give a stockholder, or an useless pensioner, money, and he may come back to you, and buy your goods with that money; but the upshot of it is, that you are *minus* so much of your goods, without any return. This is not an increased *demand*; or, call it what you

please, it is no increased inducement, from *gain*, to produce. It may be an increased inducement from *necessity*, if that is called an inducement; but no two things can be more distinct than these two motives, confounded and intertwined together by Mr. Malthus. We are continually puzzled, in his speculations, between the object of increasing production and that of checking it.

When a man is in want of a *demand*, does Mr. Malthus recommend him to pay some other person to take off his goods? Probably not. He would say, he should have paid money to unproductive consumers *before* that, and not have produced so much. But does the man himself think so? If his difficulty has not arisen (and we are all along supposing that it has not arisen) from having ill chosen the *particular* article he has produced, or from *sudden, unexpected* changes; if his difficulty would have been equal whatever other article he had chosen, does *he* now wish that he had not produced it at all? He may very probably wish, that some *other person* in the same line had not produced so much. But what does that other person say to it? He has as good a right to be heard. Taking the two together, and setting aside (as of course we must) the sacrificing one to the other, is it their *joint* wish that they had not produced *at all* a part of what they have produced? They wished to gain: they find, perhaps, that they have not gained so much as they expected: but do they therefore wish that they had acted so as not

to have gained *at all*? The same argument would as well have applied to *labour*. It might be said, "Wages are low: labour then is supplied more than it is demanded. Can adding to the whole quantity by working more, or harder, mend the labourer's situation? It must aggravate it." But is this *true*? Would the labourers be better off if they were to agree to work less? If I labour, where I did not labour before, I produce *something*. Where does it go? Surely, the more is produced, the more *chance* there is, at least, that some of it may find its way to the poor labourers who want it. If it be said, "the labourer has no alternative *now*, but it would have been better if labour had not been *supplied* so largely; that is, if numbers had not increased so much; and in the same way it would be better, in the other case, if capital had not increased so much"—I answer, they are quite unlike. Capital brings itself into the world, as it were. Its increased supply is not like the increased supply of *labourers*: it is more like the case of an increased supply of *work*, by people working harder, without any alteration of numbers. If, by doing so, they *should* find themselves worse off, *i. e.* that what they got was not enough to make the additional work worth while, they could leave off continuing the addition at the same rate. So could the capitalists. The evil feared by Mr. Malthus seems to be very well able to cure itself. "This cure," he may say, "is just what I am afraid of. The excessive production will occa-

sion, in the end, a permanent reaction." Why *permanent*? Why will it leave us *worse* than it found us?

3. Then, as to the demand from *labour*; that is, either the giving labour in exchange for goods, or, if you choose to consider it in another form, but which comes to the same thing, the giving, in exchange for present complete products, a future and accruing addition of value (or usefulness, or desirableness, or whatever you choose to call it), conferred on certain particles of matter entrusted to the labourer. This is the real demand that it is material to the producers to get increased, so far as *any* increased demand is wanted, extrinsic to that which articles furnish for each other when increased. When Mr. Malthus talks of *distribution* (Note XXI), and of the *will* of the owners of articles to exchange them, as important, this is the real point, as it seems to me. Distribute things as you please, people will exchange them till they have got each what he most wishes, and therefore no distribution can alter matters much as to the demand, or supposed demand, on the part of *goods*. But it is very material, with reference to *labour*, whether you distribute them so as to induce a greater supply of labour or a less: whether you distribute them where they will be conditions for labour, or where they will be opportunities for idleness. The inducement to produce more from a prospect of increased gain is diminished, if the producer is obliged to give more, for a quantity of

labour which will not produce more. The increased supply of labour is an important part, therefore, of the increased demand for production; nay, is the only thing which can be considered as extrinsic demand: and that increased supply of labour is promoted by the increased *numbers* of mankind (though Mr. Malthus sets this aside), and by the increased exertions of mankind; and is *diminished* by any such "distribution" as produces idleness; such as the maintaining menial servants and other unproductive consumers (Note XXII). If the capitalists are also labourers, their interests in the one capacity may indeed be different from their interests in the other: but their interests as capitalists are the greatest, because they are owners of *all* the capital, but not performers of all the labour. And it certainly never can answer to them to pay people in order to turn them into unproductive consumers, who might otherwise have been clerks, and competed with themselves in the labour of management and superintendence, in order that their own remuneration in that capacity may be higher. However, clerks come under the class of persons whom Mr. Malthus calls unproductive consumers. Besides this, where the whole object is supposed to be to get consumers who are unproductive, we must consider, that that desirable end is not always attained merely by transferring to them the substance of those who are productive. They *may* obstinately determine to work, or to lay out their money as capital, after all, in spite of you.

You can contract for a man's labour, but you cannot always (or rather do not), in many of the cases put by Mr. Malthus, contract for his idleness. Even your menial servant may privily commit acts of *lèse-consumption*, may lend his savings, or work with his hands at odd times.

Indeed, as the immediate object of the producer is sale, not consumption, it should seem (taking goods all together, that is, without considering the demand for one at the expense of that for another), that it cannot at the time signify to the seller what the buyer means to do with the article when he has got it; whether, if rich, to have it worked up as materials; or, if poor, to work at something else while he is consuming it.

Mr. Malthus may regard the demand on the part of labourers, and the consumption by labourers, as immaterial towards the increase of production, because they add to the supply as fast as they do to the demand. But they do not add to the supply at the *same time* as they do to the demand: they consume first, and then produce. What they have consumed is taken out of the market (if that is so material) *before* what they have produced comes in. In the next place, the very meaning of an increased demand by them is, a disposition to take less themselves, and leave a larger share for their employers; and if it be said that this, by diminishing consumption, increases glut, I can only answer, that glut then is synonymous with high profits; is the very inducement sought, in-

stead of being the check to production. Mr. Malthus, after feeling the difficulty of having to talk of a glut of *all* commodities, defines a glut to be when the commodities will command less *labour*. The cure for, and preventive of, this must be, that increased supply of labour which he elsewhere treats as so unimportant, when he considers it by itself. The not being able to command so much labour as before, too, is only important where that labour would produce no more than before. If labour has been rendered more productive, production will not be checked, though the existing mass of commodities should command less labour than before. But this consideration, too, of the increased productiveness of labour, he neglects, because he takes it *alone*.

The zeal for "encouraging consumption," as supposed necessary for trade in general, springs from the real usefulness of it with regard to the venders of a particular article. The more Mr. Warren can inspire a *taste* for the *consumption* of his blacking, the more he will sell; but by that taste is meant, practically, a disposition on the part of those, who can afford it, to buy his blacking with the money that *would otherwise* have bought other people's, or some other article. But the interests of the producers of *all* articles cannot be any thing like this (Note XXIII). So, it is a good thing for him, that a customer should break his blacking bottle, or spill his blacking, or use it fast (that the *produit* should be "*consommé ou détruit*") : he

will come again to his shop the sooner. But that is only at the expense of some other tradesman. The customer will come with the money that would else have gone to buy something else. Again, I say, the interests of trade *in general* are nothing like this; bear no analogy to it. It is, indeed, the interest of tradesmen in general, that the *means and power* of their customers to buy, should be increased by any means that does not *injure* the tradesmen themselves (not therefore including taxes, anticipation of rent, &c.), and that their customers should not *hoard* their means. And, so far as their customers are *labourers*, it is also an object that they should have the greatest possible taste for the necessaries and comforts of life, as compared to their taste for idleness; because the greater taste for those a labourer has, the more will he increase his *means and power* of buying. *His* means are his labour, which is his own creation, and depends on his own will. A rich man's means are quite different; and are not increased by his having a taste for purchases in *general*, though his means of buying a particular article, as *snuff boxes*, may be said to be increased by his having a taste for snuff boxes, inasmuch as he may save for that purpose what would have gone in other things.

“What we want, are people who buy our goods,” it is said, “and do not come in our way by competing with us in the production of them.” But they have nothing in the world to give you for

your goods, but what you gave them first. No property can originate in their hands ; it must have come from your's. Landlords, placemen, stockholders, servants, be they what they may, their whole means of buying your goods was once your means, and you gave it up to them. A productive labourer comes with the work of his hands to buy your goods ; he originates that with which he buys, and the more there are of such the better for you ; the better profits do you make, as I have already observed. But to talk of its being an increased gain to you, that people should take part of your capital, and lay it out in buying your goods, instead of leaving it in your hands, to do what you pleased with, would prove, that it would answer to you, if you heard of a man about to set up in trade, to go and buy him off, by making him a present of half your own profits. Would not this be thought rather insane ? We are to consider it, not as the affair of one person, nor even of the mass of one trade, but of the whole body of producers. Every producer is also a consumer, and his *object* is to be a consumer, the other being only the means. While they kept this money, then, for their own use, each might buy with it the goods of the others ; each sold, therefore, to the rest, goods which amounted in the whole to the full value of this money. Now, they sell the same goods ; but to strangers. Each loses so much enjoyment, &c., as that money would purchase, and does not sell more goods than he might have sold before. And if it

be said, had it remained in the producer's hands, it *would not* have been all laid out in one another's goods, nor in enjoyments, but partly in land and labour; I answer, first, that you must show, that *none* of it would have been laid out in buying one another's goods, before you can make it appear that it answered better to give away the *whole* of it; and, secondly, that if they lay it out in hiring land and labour, it is clear they like that way still better than buying one another's goods. The object of selling your goods is to make a certain amount of money; it never can answer to part with that amount of money for nothing, to another person, that he may bring it back to you, and buy your goods with it: you might as well have just burnt your goods at once, and you would have been in the same situation.

The immediate reason why, in Mr. Malthus's opinion (Note XXIV), unproductive consumers are wanted, the desideratum which they are to supply, is stated to be, that "the master producers, from the laudable desire they feel of bettering their condition, &c., do not consume sufficiently to give an adequate stimulus to the increase of wealth." That is, the motive of bettering their condition, urges them on to increase wealth so fast, that they quite forget to provide themselves with another motive. One would think it was not wanted. Surely, if they *will* go on in this course of prodigal parsimony, if they *will* say, we *must* gain, we must make *some* profits, increase our principal, if but a little; you might let them have

their way. *We* are the better for it ; and they *like* it. They do *not* consume, only *because* they *produce* instead ; which is just what we want them to do. What is the meaning, then, of saying, that they do not consume enough to induce them to produce ?

“Consumption is wanted, and you cannot expect it from the capitalists, because they are saving.” But by saving, as Mr. Malthus himself observes, nobody means hoarding. You must mean, then, laying out money, to the *extent of their means*, like other people. *How*, if not in buying goods, or enabling others to buy ? It is clear, therefore, that the fault must be, not that they do not spend to the extent of their means, but that *their means will not be so great*, unless there are unproductive consumers. Mr. Malthus states it thus : —

“With regard to the capitalists who are so engaged, they have certainly the power of consuming their profits, or the revenue which they make by the employment of their capitals ; and if they were to consume it, with the exception of what could be beneficially added to their capitals, so as to provide, in the best way, both for an increased production, and increased consumption, *there might be little occasion for unproductive consumers*. But such consumption is not consistent with the actual habits of the generality of capitalists. The great object of their lives is to save a fortune ; both because it is their duty to make a provision for their families, and because they cannot spend an income with so

much comfort to themselves, while they are obliged, perhaps, to attend a counting-house for seven or eight hours a day."

Production, in the long run, we must remember, is the object he has in view; and if he fears an excess of it at one time, it is only as tending permanently to cripple the future progress of it. Now that which is to interfere with the due progress of production, he seems to think, is, that when a man has got all he can want, he will not go on producing more, and submitting to the drudgery of a counting-house, &c.; unless the rate of profit he can make is great. In order, then, that he should have this inducement, it is desirable that part of his property should be transferred to the hands of unproductive consumers; because, as he will then not be so well off, he will have greater *stimulus* to exertion, and because, as he will then have less capital, and produce less, there will be less demand for labour, and a higher rate of profits, and he will be *induced* to produce more. Now it is evidently in vain to preach this to *the producers themselves*, because, if you want them to exert themselves more, and produce more, it is as easy to tell them directly to do so, as to tell them to put part of their capital into the hands of unproductive consumers, in order that they themselves may be thereby pinched and screwed up to produce more; to tell them "the desire of getting more luxuries, &c., for yourselves, is not, as you must feel, a sufficient motive to induce you to exert yourselves so much

as we wish you to do; therefore you had better substitute for it the desire of producing luxuries for other people." (The immediate effect of such an operation too, is, at every moment when it takes place, to diminish capital and production, though the professed object is to increase it. The inducement proposed, so far as it is to operate by increasing profits, operates simply by lessening production. And I do not collect how this is to be counteracted again, much less more than counteracted, which it ought to be, in order to answer its purpose.) It seems clear, then, after all the talk about "demand" and consumption," that the real efficacy of this process is by *constraint*, not *inducement*, and that (though Mr. Malthus, in some places, says it had better be voluntary) it must be *compulsory* on the producers, in order to have its full effect; that it should be recommended not to *them*, but to the *government*; and accordingly we find, that Mr. Malthus is clearly of opinion, that the present amount of *taxation* is, in this point of view, by no means to be lamented over. Now the fact on which this consideration is founded, I am by no means disposed to deny. I know, that taxation, especially if (Note XXV) gradually, and, as it were, insensibly increased, stimulates, by necessity, persons in business, persons otherwise in comparatively easy circumstances, to increase their exertions, and even their savings, beyond what they would otherwise have done; and counteracts in this way, in some degree, the *bad* effects which it has on

production, by extinguishing a vast deal of productive labour, owing to the manner in which the sum raised is applied; *viz.* to unproductive consumers. But production is surely checked much more than it is promoted, by this process. Nor is it quite fair to keep a number of persons idle, in this manner, merely in order to *pinch* those who are likely, from their characters, if you can force them to work, to work to some purpose. That is, to *diminish* that inequality of advantages, which nature makes the reward of unequal industry and talents. This consideration is very well to console us under unavoidable taxation, by showing that the wealth of the country is not *so much* diminished as we should at first have supposed; but when it professes to warn us against reducing our taxes, gradually at least (Note XXVI), where we can, when it teaches us that idle gentlemen, who live on taxes, are indispensable aids in the raising the annual produce of the country, I, for one, beg to have it a great deal more clearly and fully stated, and a great deal more closely argued, than I can find it stated or argued in the work of Mr. Malthus. Especially when we recollect, that the increase of production always adds to the funds of one great mass of unproductive consumers, the landlords, of itself: it is, therefore, the less necessary to look about for more.

It is an observation which we sometimes hear made, when land is neglected, that "the rent wants raising." But there, the person who is to be

pinched and *screwed up* to exertion is, by the supposition, some peculiarly inactive person, in whom the desire of bettering himself is not sufficiently strong, and in whom habits of industry have not yet been generated; whereas, in the other case, he is a person peculiarly active and intelligent. For, if we do not suppose him so, and if we suppose him merely like other men, *his exertions* will be no more *quicken*ed, than those of the unproductive consumer, to whom we are to transfer his property, will be *check*ed; and, if made, will be no more productive, than those of the now unproductive consumer might have been, if he had not been rendered idle by this scheme.

If it be said, "I am not recommending unproductive consumers *de novo*, or the increase of them, I am only stating that the actual existence of them does good:" I answer, 1. An unproductive consumer requires continual supplies, and therefore to recommend that he be continued, is the same thing as recommending that fresh supplies be afforded him out of capital; I say out of capital, because, since the reason for requiring the aid of unproductive consumers is stated to be, that the capitalist, who has the power to consume, will not exert that power, it is clear, that that power of consumption, which is to be transferred to the unproductive consumer, must be out of *that portion* of the power of the capitalist, which the latter would *not* have *spent* in consumption, that is, which he *would* have employed as capital.

2. When you say, that the existence of any thing is beneficial, you must state what is the *alternative* with which you compare it. Is it meant, that the existing unproductive consumers are of more use *than if* those individual persons were not in existence, and the society were so much the less? Or, of more use than if, though they continued in existence, and continued to receive what they now do, they were to lay out a part of that as capital? Or, of more use than if those individuals, ceasing to receive what they now receive, were to become productive labourers (the unproductive labour, if any, which they now perform, ceasing, we will suppose, to be any longer desirable). Are we to consider the means of these unproductive consumers as standing in the place of the means of capitalists (Malth., p. 465) or of landlords (p. 484)? In one place, Mr. Malthus includes among his unproductive consumers, overseers of labourers, clerks, and retail dealers, and enlarges on the necessity of these classes bearing a due proportion to that of the manual labourers. But nobody, I presume, was going to dispute this. It is necessary in order to *production*.

Mr. Malthus (p. 481) seems to disclaim any positive recommendation of the increase of taxation, or of national debt, and merely to be pleased with them as they are. It is clear, however (p. 483), that, according to him, if any body had recommended the creation of the present amount of national debt, with a view to the promotion of

wealth, it must have been good advice. And even as to the present state of things, he says, "the proportion of capital to revenue is too great" (p. 505); therefore, the proportion of revenue to capital is too small, and a conversion desirable (Note XXVII).

All that is intelligible, all that there is of truth, in Mr. Malthus's recommendation of unproductive consumers, seems to me to be the principle (which, however, he never plainly states) of thus exciting the producers, *by necessity, to produce more*. It is not easy to disentangle this from the various observations about providing a *demand*, keeping up *consumption*, &c., which, I own, appear to me to be quite unmeaning (Note XXVIII).

But whenever the general reasonings fail, the constant question is, "How, then, do you account for the present state of things? Is the check to trade only partial, and relative? Is the check in some trades made up for by greater prosperity than usual in others? Must you not, then, admit that it is production *in general* that has become excessive, and overbalanced or outrun consumption? (Note XXIX). And were we not better off during the war, when we paid more taxes, and lent more loans?

No. The situation in which we now are, is that of *violent, sudden, and unexpected* changes. It does not at all follow, that where violent and sudden changes in the channels of trade, with sudden cessations of *all* demand (much more of any thing

like *effectual* demand), for many sorts of articles, have happened ; it does *not* follow, I say, from the general principle, that others will be proportionably flourishing. Production is not an affair of a moment. There is a stock on hand ; and if that is of goods which are now suddenly become as useless as skaits would be at Calcutta, how can abundance of other things, at once, compensate this ? Of the existing mass of things, a part is, as it were, *destroyed* and *lost* (for it is become utterly useless), without possible benefit to any body. It can only be in the next stage, by transferring production from these branches to others, that the evil could be made up for. But here we must recollect, that when the relative price, which a particular sort of article bears, is suddenly reduced, the check comes upon transactions entered into on the expectation that it would continue, upon operations whose beginning and end are separated, perhaps, by years ; it comes on complicated operations of credit, where men are acting as if they *possessed* what is, in fact, perhaps, to be the remote return of some speculation of another person ; it comes upon vast masses of fixed capital (Note XXX), wedged in one employment, unfit for any other, and whose value, therefore, is turned to a mere cypher, when the demand for their produce fails. Nor can the owner sell his machinery to those (if any), who are carrying on elsewhere the trade which he has lost. It will not answer the carriage of the machine, for the same reason that it ceased to answer to carry the

product (or indeed *à fortiori*) ; and if his country had a monopoly of the skill and materials for making such machines, he would not have lost the trade ; the check would not have happened. Then a portion of capital originally laid out on them, and therefore of wealth, has been annihilated, just the same as if it had been *burnt* ; it has been sunk, and the returns which were looked to, now fall. And even the *labour* employed, very likely, partook of the nature of fixed capital in this respect. The habits of the labourers, where division of labour has been carried very far, are applicable only to the particular line they have been used to ; they are a sort of machines. Then, there is a long period of idleness, that is, of labour lost ; of wealth cut off at its root. It is quite useless to repeat, like a parrot, that things have a tendency to find their level. We must look about us, and see that they *cannot* for a long time find a level ; that when they do, it will be a far lower level than they set out from. M. Say may lay the blame of all this on our *customs*, if he likes, whose produce he ingeniously supposes (in his "Lettres"), is employed in paying members of parliament for their votes ; *the fault is in war*. The "china-shop," in which we now-a-days "play at cudgels" (according to Hume's metaphor), is not exactly *that* which he looked to. Our public credit (which was the danger he alluded to) stands well enough ; and is the only thing that does. But private credit, paper-currency, fixed capitals, in the shape of machinery or improve-

ments sunk in land,—these are frail *play-things*, indeed, for that “*game*,”

—— which, were their subjects wise,
Kings would not play at.

The way in which circulating capital can be transferred from one trade to another, without, perhaps, any one manufacturer moving, is pointed out by Mr. Ricardo, p. 80, and it is often very important to bear it in mind. The capital in question, as he observes, is in a great measure borrowed capital, the owner of which is not the manufacturer, but what we call a monied man. This facilitates that transfer of circulating capital, which, when one trade is become bad, brings prices as speedily as possible to the desired level. But the existence of this system (always most prevalent when trade is most cultivated) only *aggravates* the *evil* in any line where the capital is in a great degree *fixed*, or where it is sunk on land. Suppose a change has happened in such a line, the trader is *obliged* to continue to employ, much more nearly (than if there had been less fixed capital) the same amount of circulating capital as he did before, in order not to cease to derive *any* profit from the part that is fixed. The more uncertain is the state of things, and the more there is of lottery in the aspect of affairs, the more likely will he be to do so, in the *hope* that things may come round. Then supposing the fall of profits he thus submits to is from twelve to eight; I say if his capital were all his own, he

would have to make up his expenses to this as well as he could, it would be a fall of one-third in his revenue. But if he borrowed it, it is impossible that the rate of general interest can fall in the same proportion as the profits of his trade; if he paid, for instance, six before, he will pay much more than four now. If he retained six before, he will retain much less than four now, for clear profits to himself. His revenue then will, under this supposition, fall much *more* than one-third. The depreciation in his line may occasion some little fall of interest, certainly, but others will profit by it rather than he, because it will be a general fall.

Nothing can be more false than the *metaphorical* argument of M. Say (vol. i, p. 59, fourth edit.) in favour of machines; *viz.* that they bear a revulsion better, because "*elles ne meurent pas de faim.*" A revulsion, where there are machines, must diminish the funds for employing labour *as much as* where there are not. And more. For the interest of the labourer is, that when there is a check, capital should *rat* as soon as possible, that he may have permanent employment of another sort, at good wages, offered him; instead of the trade dying by inches, and the capital in it wasting away to nothing, which latter is most likely to happen, where there are machines. And (by the way) the labourers do not, considered as consumers, derive any benefit from machines, while flourishing (Say, p. 60), unless the article, which the machines cheapen, is one that can be brought, by cheapening, within their

use. Threshing-machines, wind-mills, may be a great thing for them in this view; but the invention of a veneering machine, or a block machine, or a lace frame, does not mend *their* condition much.

The principle so often and so well employed by Smith, that capital is transferable, and that therefore things will come to a level, mightily assists people who are armed with it, in dismissing from their minds the very long temporary *interval* during which the process is going on, and which is sometimes a much more important consideration to the happiness of mankind, than the *level* to be attained at last. Capital is *not* transferable on a sudden emergency, without much loss by the way. Local situation, connections, habits of life, talents, knowledge of the business, knowledge of the markets which formerly belonged to it, all form (besides the cause above mentioned) so many rubs and hitches in the way of the transfer. Like friction in mechanics, they continually falsify the conclusions of too general theory. The profits of no two men are exactly equal, and if the average profits of any trade are lowered, that, probably, *quite cuts up* the profits of *some* individuals. The distress that is occasioned at such times cannot be estimated in *money*. Even if it *were* true, that equal gains were making in some other quarter to compensate for it, the satisfaction of him, who gains where he did not expect it, is never to be put

into the balance against the suffering of him who is unexpectedly ruined.

Mr. Malthus argues, that there may be such a thing as a *glut* of *all* commodities from excessive production, and that it is seen when they command less *labour*, though the rate at which they exchange with *one another* may be the same as before. But is *this* the sort of glut that prevails *now*? Labour is then exorbitantly dear! The labourer commands an unusually great quantity of commodities!

It seems, the circumstances of the times do *not* square, after all, with the principles of those who appeal to them as proofs, nay, who have framed principles on purpose to suit them.

It is not true, in the next place, that such mighty prosperity existed during the war (Note XXXI), still less during the time that capital was most largely converted into revenue. If this had been the way to prosperity (*si Pergamæ dextrâ defendi possent*), the Waterloo loan ought to have been the making of us. And if we mourn over the abolition of taxation, we must recollect that distress was the *cause* of that abolition, not the effect of it. During a period when large sums are lent to the state, the rate of interest, and the profits of stock, too, so far as they depend on the same causes as the rate of interest, is something *factitious*; it is a sign of the gain of individuals, but it is neither a sign of the increase of capital (just the reverse), nor of the increase of benefits conferred by capital on

the public. The gains made by that portion of capital, which is lent to spendthrifts, are never direct additions to the wealth of the community, as gains made by capital, advanced to labourers in the process of production, are : they merely drain by degrees the property of the borrowers into the pockets of the lenders.

Funded debts are a mode by which a *portion* of the existing disposition to lay out money, with a view to gain, may be enabled to vent itself so as to do no good to production. I admit, that they also tempt, in some degree, the conversion of revenue into channels of saving *more* than would otherwise have been the case, so that the *whole* of them does not consist of what would otherwise have been productive capital.

Nor was it the failure of general demand on the part of the *receivers of taxes*, which was particularly felt soon after peace came, but that on the part of farmers (owing to their peculiar depression), and of landlords through them.

It may be said, the destruction of capital diminishes the amount of capital, and consequently ought to raise the rate of profits ; and therefore, if after the destruction of capital the rate of profits is even lower than before, it proves, that capital, though less in *actual amount*, is still *more redundant*, is greater *in proportion* to the demand for it, than before. To this I answer, 1. That would prove, that a still further destruction or conversion of it into revenue would be desirable. But even

Mr. Malthus does not venture to propose that.

2. The demand for capital, the thing *in proportion* to which capital is at different times more or less redundant, is *labour*, as I conceive, and have already stated. Now that capital is not redundant is, then, I should say, clearly proved by the extreme lowness of wages. It is inconceivable in what sense we can be said to be *producing too much*, when we have been sitting idle for years.

3. Small profits per annum are made now on the whole mass of capital, because it *stands still*, because, for part of the time, part of it is *not* employed *at all*, and therefore is not *in fact* part of capital. All our general reasonings on this subject suppose, that the flow of capital is free : but it is not free. Uncertainty and panic stop its movements, want of credit stops it ; a scale of comparative taxation, which suited well enough the former state of things (because the former state of things had been suited *to it*), galls now. New channels are not found in a moment, least of all while things are still fluctuating, and artificial measures, actual or expected, interrupt the settling of the general mass.

4. This distinction between capital and profits is in a great degree merely in terms. Profits depend on the quantity I receive back in return for my whole capital expended. If, at the end of a certain period, that quantity is less than what I expended at first, or greater in but a small degree, am I to say that my capital is less but my profits fair profits, or to say that I have the same capital, or nearly so,

but have made no profits? And *what period* am I to take for this purpose? It is impossible for the nation to *take stock* (if I may so express it) till these fluctuations are over. Many transactions extend (especially when we consider the capital of the nation as a mass) over many years. We must wait to see how they are wound up, before we can pretend to say what our capital is.

Those, who maintain that production finds a market for itself, do yet admit, that however true that may be as a general proposition, it is very possible so imprudently to select the *particular article* to be produced, as, with reference to the existing relative demands for different articles, to occasion a great loss to the producer, which shall not be compensated by any gain to any body. Now exactly the same effect must of course follow, though without any imputation of imprudence on the producer, when the relative demands for different articles have been changed by a sudden alteration in the channels of intercourse between nations, or by other circumstances, such as arise from the beginning or ending of a war: and more widely-spreading harm is done in this case than where the undertaking was imprudent at the time it was commenced; for then, in all probability, *other* people took care not to entangle their interests with it: not so where it becomes imprudent, as it were, *ex post facto*. Skill and knowledge in the selection of the particular line of trade to be pursued, and in the mode of pursuing

it, are for the most part habit and routine, and cannot be formed at once. Experience is wanted; but that is to be obtained by time, and by losses (Note XXXII).

Not only do sudden changes produce all the same effects as imprudent speculation, but they encourage *actual* imprudence in speculation. We are apt to lump together all persons concerned in trade, and say they know their interest. The prudent ones of course do; but there is another set to be also considered, a set who bear the largest proportion to the others just when they are likely to do the most harm, namely, when there is a general uncertainty in trade, and when trade is more like a lottery than usual; which is the case when there are sudden changes taking place. Yet the others must suffer; the whole of a branch of trade may suffer, for a time, from a few foolish speculations. There is little doubt but that the quantity of new undertakings, which were referred to, during the war, as proofs of wealth, were in some instances proofs of the depressed state of the usual openings for capital. New openings were tried, because their unprofitableness was not so obvious.

When Mr. Malthus sighs for unproductive consumers, one cannot help recollecting the increase of *poor rates*; they have furnished, one would think, quite a sufficient drawback on the undue and excessive "conversion of revenue into capital" which he complains of. He seems, too, to forget what he has elsewhere (Tracts on the Corn Laws)

so much insisted on, the *real increase* of the same *nominal* amount of public debt.

If we add to all this, the degree in which all great fluctuations are aggravated by the existence of the system of *credit*, and also, that the public paper credit, or paper money of the nation, has been, up to the moment in which we now are, so dealt with as to increase in an excessive degree even these aggravations, we need hardly resort to any new general doctrines about demand or production, &c., to enable us to account for our present situation.

The credit I mean is not a forbearance of a debt, where the debt so forborne cannot be transferred or negotiated by the creditor: for this must be in proportion to actual capital, and is in fact a mere advance.

While a system of credit is extending, and private credit becoming more negotiable by the help of a bank, there is a constant anticipation, as it were, of future profits: what would have been the profits of next year are treated as actually received, and reckoned into the profits of this. When a check to credit happens, and when the power of getting one's private credit transformed into current cash is also diminished (two events not necessarily connected, but which have occasionally come together in our times), the reverse of course happens. Present or immediate gains become as it were thrown off into future: of course then the annual or periodical rate of profits is much less in the latter state than in the former.

All currency or money, considered as money, independent of the *material*, may be said to be credit. If two persons exchanged commodities, land, or labour, directly with one another, that is, if when A transfers a portion of either of these to B, B at the same moment transferred something to A, no such thing as money would ever exist, and no such thing as credit would ever exist. But it answers better to A not to take B's goods, &c., which, owing to the division of labour, may not happen to be the sort he wants, but to consider B as indebted to him, and transfer that debt to other people, in return for their goods, &c., which he does want. Money or currency, then, when considered merely as money or currency, may be considered for this purpose as an authentic statement, which the world gives credit to, that such a transaction has happened, that such a debt exists, which is certain of being paid, or at least that its chance is worth so much, which they consent to estimate as high as the creditor does. In one state of society, the world will not consider such a statement authentic unless backed by the intrinsic value of the substance to which it is annexed; in another, they require no such support to its authenticity, but look to certain *names* affixed to it; and according as these names are more or less known, the debt can be transferred from hand to hand through a wider sphere: one piece of paper circulates only among certain merchants of eminence in the city; another through the whole commercial

world ; another through all hands, merchants or not, in a certain town, county, or neighbourhood, another through all hands throughout England. The issuing of notes by a bank, where they originate in discounts, is, as it were, the giving to a bill, by their guarantee, a general currency among those who else would not have taken it.

The more this system prevails, that is, the more disposed the world is to consider such debts as sufficiently secure to induce them to accept them in transfer, the more transactions of production can be carried on in a given time, the more can be produced in a given time, the more rapidly can capitals be turned, and therefore the larger profits can be obtained in a given time upon a given original amount of capital ; because the less are the transactions of A impeded by the having to find somebody who wants what he has to give, and who has something to give which he wants. If the debt can be easily transferred, A may transfer his goods, &c., to B, and reap at once the full advantage of the transfer, even though B has not at the time any one thing to give that A wants, and even though he has not at the time any thing whatever to give. The expression of M. Say, that paper does not increase capitals, but only quickens their circulation (vol. ii, p. 142, fourth edit.), and that of Smith, that the effect of it is to prevent capital from lying idle, come to the same thing as what I have been saying : but as to the latter proposition of Smith, it is stock on hand, labour, &c., that it

prevents from lying idle, and not merely gold and silver money. Paper, in Smith's time, was only *encroaching on* gold and silver, and he has confined his speculations on it to the case of there being *some* gold, &c., in circulation *with it*, and to the effects it produces in saving such *gold*, &c. It is more natural and easy to us, now, than it was then to consider currency merely as currency, that is, quite independent of the intrinsically valuable medium to which it may sometimes be attached.

Where expected gains in trade have not been realised, or, what comes to the same thing, where B, in the case put, becomes unable to pay, the possibility of carrying on this system of credit is checked: people, who have been disappointed, will not trust again. But the important point is, that they will in such case almost always carry the reluctance to trust to a *greater* extent than what is commensurate with the actual disappointment. A diminution of wealth, a failure of gains, at the time comparatively small, is by this means followed, if not by a *destruction* of capital, by a destruction of part of what would have been its *circulation*, its *use*, the *turning of* it, and the *profits* made by it in a given time, to an extent comparatively great.

Credit includes not merely expectation of payment, but expectation of punctuality. Any delay, any stagnation, go very far to break it up, and thus create still more delay and stagnation. Now where a change suddenly takes place in the rate at

which certain articles exchange with one another throughout the world, and where, consequently, there is a call for a different distribution of capital and labour, some delay will take place, even at the best, before people find out what are the properest new channels. This delay is a dead loss, not compensated by a gain in any other quarter; but, on the contrary, very probably the parent of further loss; since, owing to the existence of credit, a failure in the prospects of one man draws with it a failure of the prospects of another, who might have been in some line which was not at all *originally* affected by the cause which has ruined the former (Note XXXIII). The more credit was previously extended, and the longer credits were given, the more deeply will an adverse change be felt, and the longer will its effects continue to be felt after the change itself has taken place. If, therefore, strict theory would, by considering things as if they directly exchanged with one another, lead us to infer that a check which produced loss in one quarter, would make up for it by producing gain in another, the fact will be continually at variance with those conclusions, owing to the agency of *currency* and *credit*.

Where commerce is at all extensive, facilities of establishing the *credit* system are great, and will be taken advantage of. Such a state, then, the more it prevails, and in the greater degree, is the more liable to suffer from any checks or changes.

There is some consolation in thinking, that such a state preserves the country from a fluctuation of another kind, which is the evil of less advanced ages—famines.

It often happens, that where my debtor's engagement to me is transferred to another person, and by him to another, and so on, each relying on the original credit of my debtor, or else on mine, and not at all on that of the person from whom each immediately received the assigned engagement in question, it happens, I say, that the actual holders of this engagement rely on the disposition of other people to take it from them, and not on any intention or prospect they have of having recourse, in their own persons, to my debtor or to me, at the proper time, for fulfilment of the engagement. They may be so situated, that this would be quite out of their power. But they consider it as actual property, for all that; because, other people (they know), some of whom *can* have recourse to the proper quarter for payment, will treat it as actual property, and will accept it from them as such. If, under these circumstances, I discover that my debtor can pay me only half what he has engaged, and am under the necessity of announcing to the world, that my credit is no longer good to the full extent, the holder of the engagement, if situated as is above supposed, finds it no longer equal to actual property, of course; but he finds it not diminished only to half its value, but

much beyond that; perhaps reduced to no value at all. For the value of it, in his estimation, depended on the disposition of some other person to take it as actual property, and this other person will think matters much too uncertain to admit of his meddling with it at all: or, at least, if he does, he will make sure as far as he can, and take the chance of payment at a very low value, below what may turn out to be the real proceeds. The remainder, the portion of its value between that which he gives for it, and that which it turns out to be ultimately worth, is absolutely lost and destroyed to the holder; and though it is, on the other hand, gained for nothing by him who took it of the holder, there is another loss, that of the *time* during which my debtor's or my affairs are winding up; for it may be, that even the half, which he can pay, can only be got by waiting.

Consider my own situation at the same time. The same principle applies to it. My credit is not diminished in proportion to the tangible loss I have sustained or expect; it is *gone*. At least, it is diminished in a much greater degree than the cause: even supposing I have never run it too hard, never over-presumed on it. But how few people of extensive credit, especially if rather suddenly acquired, do that! If they scent approaching *danger*, they will use their credit to the utmost, till the danger becomes *certainty*; they will abuse the belief, already alluded to, entertained by the

world, that what they promise they can certainly fulfil. They gradually come to promise what they can only *probably* or *possibly* fulfil; but the transition, in the opinion of the public, is not gradual; the change in their credit comes at once. One moment perfect confidence, the next total distrust. What results? I was carrying on business by trusting and being trusted; now, even if I *survive* my embarrassments, I must still trust; I can no more get ready money now than before; but nobody will trust me. I had treated, in my dealings, as actual property, debts due to me in future; I can do so no longer; the debts in question are *really less* separate, in my own opinion, than they were, and, in the opinion of others, once panic-struck, they are worth *nothing*; at least, as far as depends on my assertion that they are worth any thing, for my assertion will not now pass. I say, then, that in such circumstances, a portion, if not the whole, of my power of anticipation is destroyed; that is as if my capital were extinguished, locked up in a box, *for a year*, or whatever the time is; or, as if the value, or price, of its use for a year, were destroyed *for ever*. And, in either case, the loss in this way, by loss of credit, is *greater* than that loss of my debtor which occasioned me to break. If I should recover my credit hereafter, I may, as it were, *put in* the lapsed year again at some future time, and add so much to my property; but if not, it amounts to the loss of part of my capital for

ever, for if I was able to obtain credit on my name, I coined my name into additional capital.

It is often supposed, indeed, that this capital is a mere non-entity, and can add nothing to wealth, because, though credit means the consent of the world to consider a person as possessing the command of goods to a certain extent, whom they would otherwise not have so considered, yet as the whole mass of goods in the world is not at the same moment increased, the person, so trusted, can only get his share out of the shares of the rest, and the only effect will be, that the nominal prices of goods will rise, and nobody will be the better. But, in fact, it conferred on him a command over *labour* as well as goods, and, if it was obtained in order to be used as *capital*, it was *expended*, in a great degree, in labour. Now the quantity of labour *would* be increased at the same moment, in that case, though that of goods could not have been. And though, as there is no increase at the moment in the quantity of goods, the increased exertions of the labourer are obtained, in great measure, upon *false pretences*, yet they *are* obtained, and more has been produced than would otherwise have been produced in the same time; and thus too there will soon be additional goods to meet, in some degree, the increase of paper. Besides which, the more extended employment of labour increases the chance, at least, of fresh improvements in its *productiveness*.

These effects, which I have mentioned as tending to shew that the increase of wealth by the increase of paper credit is partly real, depend entirely, it must be observed, upon the circumstance of the accommodation thus afforded, being employed as *capital*, and successfully employed. It is, I believe, only as a means of ensuring *this*, and the payment of the bill, that the distinction between the discounting (at the Bank) of real, and what are called accommodation bills, is important to the public. Every addition to the floating mass of currency, therefore, which is made merely by creating paper for the purpose of advancing to the *government*, who never employ it productively as capital, seems to tend to depreciation without any thing to counteract it. Except that, when there is an increase of taxation, we want more money than before, at certain times, in order to pay it with. The value of money would somewhat rise, therefore, at such times, but for Bank paper; but the Bank paper far more than obviated that particular inconvenience.

The observation of Adam Smith, that "paper credit does not enable you to keep more nominal currency in circulation than there would have been without," is not true (Note XXXIV). Not even where there is gold and silver also in circulation, if the melting and exportation of coin is made difficult and expensive by prohibitory laws. He seems indeed to think that the produce is likely to be augmented,

in the end, by banking operations; for he merely observes, that it cannot be *immediately* augmented by them.

It seems clear, then, that the contractions of accommodation afforded by a bank cause less work to be done, less produce to be supplied, less real profits to be obtained, and less capital to be in a state of employment within a given time, than would otherwise have been the case; and that where that contraction is sudden and unexpected, that circumstance will aggravate the evil in a degree which it may be impossible to calculate. A check to private credit will naturally diminish the degree of accommodation which a bank can afford, because there will, in consequence of it, be a smaller number of good bills to discount; but for that very reason such a period is peculiarly unfit to be chosen by such a bank, for a voluntary contraction of their issues, over and above that, which is thus brought upon them by events (Note XXXV).

On the whole, Mr. Malthus, in applying his doctrine to the present state of things in this country, or rather in thinking that it was necessary to frame such a doctrine to account for the present state of things in this country (for that seems to have been the *order* of ideas in his mind), appears to have not sufficiently allowed for the length of time which it takes to recover* from the

* "The necessary changes in the channels of trade would be effected in a year or two." Malthus, p. 499.

effects of sudden changes, or for the complete loss which is sustained in the process, or for the general stagnation which may be produced by checks originally affecting only certain branches, or for certain peculiar circumstances of our domestic administration. The events of the times, then, are *not* irreconcilable with the general principles he is opposing, and do *not* render it necessary to look out for new general principles (Note XXXVI).

When he talks, p. 502, of a diminution of expenditure at the peace, surely there is a diminution of particular branches of demand, owing to the cessation of war monopoly, &c., rather more material to our consideration, than any diminution of general expenditure. If we were "enriched" by the war, it was not by our expenditure, surely; there were *other* attendant circumstances (not necessarily accompanying *all* war) in our favour.

The increased employment of capital, I have already observed, tends, at the moment, to throw the current of demand proportionally more on raw produce, and away from manufactures, than it was before. Supposing it, therefore, to take place in a country where the demand for some *manufacture* had diminished, it might so far do harm. But suppose *corn* is the principal article for which the demand has diminished, which was the case with us, increased employment of capital, that is, increased wages given to labour, seems to be just what is wanted, seems likely to palliate, rather than aggravate the evil.

If it be asked why, upon the principle of accounting for the distress wholly by sudden interruptions in the channels of trade, did not the war produce as much distress as the peace? two answers shall suffice, though more might be found. 1. Because the changes occasioned by the war, came on gradually; and those occasioned by the peace, all at once. 2. Because the peace, in a much greater degree than the war, found us with a quantity of capital fixed and sunk in those branches where the demand was checked.

The first of these answers is, that the war, by its gradual progress, gave time for the adjustment of the channels of trade, and for the gradual accumulation of capital in those branches where the demand was checked. The second answer is, that the peace, by its sudden interruption of the channels of trade, found us with a quantity of capital fixed and sunk in those branches where the demand was checked.

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Wrote the author



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N O T E S.

NOTE I.

MR. RICARDO indeed observes (p. 441, second edit.), that the real interest of a nation by no means requires, that it should contain many rather than few inhabitants; but is like that of an individual capitalist, whose only concern is what *net* profits he can make. But he is speaking there (as appears in his next page), not of the interest of a nation as synonymous with human happiness; but merely as synonymous with the power of raising taxes, and maintaining fleets and armies. It is plain, that we may sometimes consider how to attain one object, and sometimes how to attain another, without thereby pronouncing which is the more important of the two, without being inconsistent, or falling into error; unless we confuse the two under one name: which Smith, in the passages Mr. Ricardo is there alluding to, appears to have done.

Nothing, Mr. Ricardo says, can be taken from wages for taxes, because "*if moderate*, they constitute always the necessary expenses of production." It would have been better to have said, nothing can be taken from wages *if they are* so moderate as to constitute always the necessary expenses, &c. Because this is by no means always the case: on the contrary, you can almost always take something from wages. The confusion, which Mr. Ricardo has pointed out in Smith, between the two objects of having a large taxable fund and of increasing the power of enjoyment among the people, seems to be derived from the French Economistes. An increase of the labourer's consumption, out of the increased production he had

occasioned, was an evil, according to their system, instead of being the great end of all the science. They looked at the subject with the eyes of excisemen. They cried up agricultural labour, because, as we happen to be obliged to pay for most part of its produce more than we are for manufactured produce, in proportion to the labour each cost, we can here find a surplus fund to *tax*, in the shape of rent. But this very circumstance, of our being so obliged, is in itself an *evil*. It is a necessary evil; it may be a profitable evil in the end: but, so far, we are worse off. Then they make light of manufactures (compared to corn, as sources of wealth), because, say they, of the price of a piece of lace, one part merely replaces what the labourer consumed, and the other part is only transferred from one man's pocket to another's. (See Mr. Mill's excellent answer, "Commerce defended," p. 25). But substitute "corn" for "lace," the same thing may be said; it would serve just as well against themselves. They say, that a man can produce two or three times as much corn as he can eat. But this does not prove that there must be a surplus. The question is not what he can produce, but what he *will*. The question is not what corn he *can eat*, but what corn and other things he *will expect as wages*. They were very kind in assuming, that a labourer was always to work the most, and consume the least, that nature would allow. Even of slaves, that reasoning would hardly be just: you may reduce your slave's *consumption* as far as you please, but you cannot force him to exert the utmost quantity of *labour* which is naturally in his power.

NOTE II.

That he should get his principal wants supplied with *very little* labour, on the other hand, is probably not conducive to his happiness. See the chapter in Malthus, on the Fertility of Land. Smith is quoted by M. Say (vol. ii, p. 121) to prove, that "une récompense libérale du travail augmente l'industrie de la classe laborieuse, qui semblable à toutes les qualités humaines s'accroît par la valeur des encouragemens qu'elle recoit." I do not know what facts he is here referring to, when he says

"semblable," &c. Increase the value of the encouragement of mining labour compared to that of farming labour, mining industry will increase at the expense of that of farming. But we are now speaking of all sorts, and not of any *alternative*: not of a case where a man says, "Which of two things shall I do?" and determines according to where there is best pay: here it is, "Shall I do any thing or nothing?" and whether the reward of doing something be great or small, it is equally true, in either case, that there is *nothing* to be got by *doing nothing*.

In the purchase of commodities it is continually true, that a man will give a for b , but will not give $2a$ for $2b$. So it is in the case of labour. He will work a for b wages; but not $2a$ for $2b$ wages. Then if you give him $2b$ for $1a$, may it not follow, that he will be content with less, and therefore not work even a ?

There are two things sometimes confounded, I suspect, in reasonings of this sort, which are often but not necessarily united; smallness of recompence and uncertainty of it. In countries where tyranny prevails, we are apt to say, cultivation and industry cannot go on, because the cultivator is not allowed to retain more than a very small portion of the produce of his industry. The true reason rather is, partly because he *does not know* that the *whole* may not be taken from him. But I ought to add a more important reason, viz., that it is not any fixed, certain aliquot part of his produce, be it ever so small, that he expects to retain. He does not expect, that the more he produces the more will fall to his share; but that, if he should increase his produce, he should still be fleeced of all but what would barely keep him alive.

NOTE III.

M. Say puts the case of two articles, in which the difference of durability is very much in favour of the one, and that of usefulness, or desirableness, very much in favour of the other. But that can only prove, that durability is not the *only* recommendation; which is not denied. He should have compared two articles of nearly equal desirableness, but unequal durability.

NOTE IV.

The reduction of interest of the national debt about the middle of last century (mentioned by Mr. Malthus, page 476, and elsewhere), or rather the rise in the price of stock, which occasioned that reduction, may be partly attributed to the same principle — the security felt, the confidence placed in the funding system; which would naturally not arrive at its height till a good while after the establishment of such a system. Not to mention the uncertainty, which up to that time hung in some degree over the stability of the government itself — of the dynasty.

NOTE V.

M. Say (p. 62) says, “Créer une chose dont le besoin ne se ferait pas sentir, ce serait créer une chose sans valeur : ce ne serait pas produire. Or du moment qu'elle a une valeur, son producteur peut trouver à l'échanger contre celles qu'il veut se procurer.” But the question is, how many will “celles” be? What sort of a bargain will he be able to make? Mr. Mill falls into the same fault when he says (p. 86), that the use of foreign commerce is not to furnish a vent for domestic industry, because that industry always finds *a vent* for itself. “Vent” is comparative, and means not an exchange, but a beneficial or desirable exchange.

Suppose a man, with a very large capital, producing, at a time and place when there is very little capital in the hands of any body else, a great deal of some one commodity. It may be (and I introduce this case because it seems to me, from M. Say's allusions, that it is the case which he has in his mind when he propounds his maxim, and which led him to adopt it) it may be, I say, that he will derive little or no benefit from this great production of one article, because other people have not sufficient desire for it, and at the same time sufficient of other articles, to enable him to get in exchange for it the other ordinary good things of life, to obtain which was his motive in producing it. Unless it is an article of food, it will obviously not procure him any great quantity even of labour; and if it did, that would not mend his situation much, as long as he chooses

to employ that labour only in producing still more and more of this same article. Under these circumstances, it would be happy for him if other people were to arise, possessed of wealth, and disposed to employ it in producing various articles different from this which he had been producing, and desirable to him. They would, it is true, injure him by raising the price of labour and land, or raw produce against him; but that would be more than compensated by the *débouché* they would afford. But what general moral can we draw from this, as to the effects of production of commodities *in general*? The additions this man made to produce, opened no *débouché*, certainly; M. Say's maxim was not true of them. He was either a great fool for laying out all his capital in one way, beyond what the demand would admit of being profitable, or else there must have been some sudden and unforeseen change of circumstances, which made a course, prudent when undertaken, turn out unprofitable to him, till he was relieved by the *produit créé*.

If his product was food, and he had produced twice as much as every body could eat, in this case no new creation of products would open a *débouché* for his stock, till the *numbers* had also increased. Products differ most widely in this respect, happily. Some, a man may well do without; while of some he cannot do without a certain quantity. But, on the other hand, of the former he can generally find room for an unlimited quantity, if he has the means of getting it; while, of the latter, he *cannot* (from "the narrow capacity of the human stomach," as Smith says) consume a great deal more than that quantity which he *absolutely wants*. Were it not so, the inequality of fortunes would be much more injurious than it is. We *might* have been so made, that though food, to a certain amount only had, as at present, been *necessary* to us, it might have been a source of pleasure to consume or possess one or two hundred times as much, where we had the power.

NOTE VI.

M. Say himself points out the obstacle to the unlimited placing of capital, arising from the nature of land. *Lettre iii.*

NOTE VII.

Smith speaks of it as limited by "the business to be transacted;" M. Say (as referred to by Mr. Ricardo), by "the extent of employment;" these are vague expressions.

NOTE VIII.

Or (which is saying the same thing in another form) this produce will be divided in a proportion more favourable to the labourer, and less to the employer, than was the case before. Now where a little labour will produce a great deal, especially where it will produce a great deal of *food* in one country, compared to what it will in another, it is possible, that the *proportion* in which the produce is divided may be, in the former, more favourable to the employer than the latter, and, in that sense, *profits* may be said to be higher; and yet what the labourer gets may be more of absolute subsistence and enjoyment, in proportion to the quantity of trouble he takes, in the former than in the latter; and in *that* sense, *wages* may be said to be higher. This is, probably, the case in America. The proposition, therefore, which begins this note, and which may be expressed, if it is *necessary* to be brief, by saying that wages are high as profits are low, and vice versa, is not answered by asking, as the author of "An Essay on the Application of Capital to Land" (p. 22) asks, "How comes it, then, that the wages of labour and profits of stock are high at the same moment in America?" High and low are used in different *senses* in the two propositions. See Malthus, 367.

The author of the Essay just mentioned, observes, with the same view (p. 24), that more will be given for labour when there is most increase of stock, and *that*, if the country is always equally parsimonious, will be when the profits on stock are highest. "The greater the profits of stock," he adds, "the higher will be the wages of labour." The fault of this is, that a word or two is left out. "The greater *have been* the profits of stock" (it should be, to correspond with the reason on which it is founded) "the higher *will be* the wages of labour." And then it does *not* contradict the proposition it is directed against. The

high profits and the high wages are not *simultaneous*; they do not occur in the same *bargain*; the one counteracts the other, and reduces it to a level. It might as well be argued, "the supply of a commodity is most rapid when the price is highest, therefore, large supply and high price go together." It is a mixing up of cause and effect.

NOTE IX.

M. Say (Lettres, p. 60) asks Mr. Malthus, "après avoir écrit trois volumes justement admirés, pour prouver que la population s'élève toujours au niveau des moyens d'existence, avez vous pu admettre le cas d'une grande augmentation de produits, avec un nombre *stationnaire* de consommateurs et des besoins réduits par la parcimonie?" (p. 355). "Tout ce qui peut se produire peut trouver des consommateurs" (Say, Lettres, p. 60). *In time.* But Mr. Malthus says, that the glut he anticipates is *because* this requires time, and the other does not. He expresses it, in the passage M. Say has quoted, by the term "*comparatively stationary number of consumers,*" which M. Say has omitted.

NOTE X.

The profit obtained by capital, or the power of getting something in exchange for the assistance contributed by capital, arises from people's possessing, in unequal degrees, certain things, which give a great *advantage* to labour in the obtaining desirable commodities. If all had these advantages equally, all men would be benefited by it, because each man's labour would produce more than without those advantages; but that benefit, or the price of it, would not exist in a separate shape, as it now does. Talent, strength, cultivated and habitual acquirements and knowledge, are such advantages; land is another; and the *unequal* possession of these occasions a price to be given for them; but that is distinct from *profits*, which I am now considering. Tools and implements, and a stock of materials, such as one man must have to enable him, even singly, to work. Food to maintain a person while he is working, and before the product is completed. But, still more, a stock of the preceding

articles enough to assist the labour of many people at once ; for, by this means, combination of labour may be attained, and a certain quantity of labour produce much more than it would otherwise. Implements, also, go further by this means, because they do not lie by. The labour that built a private oven, does not go so far in producing bread, as that which built a baker's oven. If I bake but once a week, I must have an oven, the same as the baker, who bakes always. If there were no capitalists, people would find it their interest to *club* to build a common oven, mill, &c. ; as it is, the capitalist, who has the means by him, builds it, and we pay our club by little and little afterwards, *in the price* of the bread. The capitalist, too, keeps, as it were, an *echo-office* for labour ; he *insures against* the uncertainty of finding a vent for labour, which uncertainty would, but for him, prevent the labour, in many cases, from being undertaken. The trouble of looking for a purchaser, and of going to a market, is reduced, by his means, to a comparatively small compass.

These advantages, of course, are worth paying for. He who does not possess them will, in return for the assistance he derives from them, that is, in return for the means they afford him of working at all, with any prospect of gaining by it, where else he could not have so worked, or of making the work he would else have done produce more, be willing to give back, to the person who affords the advantage, part of his labour ; it will be worth his while to do so, to any extent that does not amount to the whole of the benefit he has derived. He will agree to work part of his time for the capitalist ; or, what comes to the same thing, to consider part of the whole produce, when raised and exchanged, as belonging to the capitalist. He must do so, or the capitalist would not have afforded him this assistance. But as the capitalist's motive was gain, and as these advantages always depend, in a certain degree, on the *will* to save, as well as on the *power*, the capitalist will be disposed to afford an additional portion of these assistances ; and as he will find fewer people in want of this additional portion, than were in want of the original portion, he must expect to have a less share of the benefit to himself ; he must be content to make a *present* (as it were) to the

labourer, of part of the benefit his assistance occasions, or else he would not get the other part: the profit is reduced, then, by competition. A man may reduce the rate of his profits by the competition of his capital with itself, independently of that of others; I mean, by adding to his capital in order to gain. He will not gain so much more *in proportion* as he adds. As long as any of these advantages are possessed by some men over others, it does not appear to me, that profits can sink to nothing; unless the owners of those advantages *choose* to make a present of them.

Some of these advantages of superior wealth in production may, of course, be exerted without others. In ancient times, rich men, where slavery prevailed, seem to have sometimes carried on manufactures, &c., in their houses, merely for their own use, to a certain degree. We should hardly call this, now, employing *capital*; especially as it would not produce profits by *exchange*, the way in which we are used to estimate them. But, of course, they had those advantages of wealth which consist in being able to advance tools, materials, and food, though not those which arise from promoting division of employments, and the producing on a large scale for other people. Where the advantage possessed by the owner of capital is more felt in producing one commodity, than it is in producing another, in proportion to the labour employed, of course, when capitalists come to take less remuneration for the assistance of their capital, the former commodity will exchange at a less rate with the latter than before. The advantage possessed by the owner of capital, who can afford to sink it for a long time, that is, by the owner of fixed capital, is greater than that possessed by him who only sinks it for a short time; that is, by the owner of circulating capital, or of fixed capital of less durability. Therefore, when profits fall, commodities will exchange with one another at a new rate, a given quantity of those, which are in a greater degree produced by fixed capital (and which therefore are, in a greater degree, beholden to the assistance of capital on the whole), exchanging now for a less quantity of such as are produced in a less degree by fixed, and in a greater degree by

circulating capital. This is what Mr. Ricardo proves with *figures* (p. 30), and makes rather a more important discovery of it than seems necessary, as Mr. Malthus (p. 91), remarks.

Smith considers the payment of the profits of that capital which was employed in building machines, as the payment of the advanced wages of the labour that built the machines, and which labour has concurred in the production of every lot of the article that comes from the machines. This M. Say thinks absurd: but why? — it is *true*. “Labour would on this supposition be paid after it has ceased.” To be sure; what then? *all* labour is paid so, *by the buyer*, which is what he is speaking of; and if he is not, *none* is so paid. *Circulating* capital is equally replaced, with its profit, after the labour, whose pay it had advanced, has ceased. Only the one is replaced in one lump in the price of one lot of the article, the other by *instalments* as it were, and for a long time to come. But this is not true only of machines: in the price of what *particular* lot of corn is the *hedger's* labour, the *drainer's*, the *manure fetcher's*, paid? The profits in fact are always reckoned in *general* on the *whole* capital advanced, not merely with an eye to the particular expense of producing the particular lot sold. In all these cases the wages were advanced: and they are repaid as advanced money is; sometimes in one sum, soon; sometimes in instalments; sometimes by annuity, with or without uncertainty in its duration; sometimes by perpetual annuity, like the public loans; — if there is any expenditure of capital whose effects are *for ever*.

But though profits may never be liable to sink to *nothing*, competition may, of course, reduce profits to less than any assignable degree of minuteness, if the owners of capital choose. Wages cannot be so beat down; there is a minimum in the case of wages, the bare means of subsistence. And when I say there is not in the case of capital, I am supposing the capitalist provided with an independent *subsistence* from rent or labour. A man's advantage over others, in production, may consist in will, as well as in power. This is an advantage over other people equally rich with himself, perhaps, but not *disposed* to make use of the advantage which those riches give them in pro-

duction. These must be mostly landlords. They cannot be the labourers with whom the capitalist contracts, nor can he, therefore, derive a benefit from this advantage in the bargain he makes with these labourers, directly. But he does so indirectly, by there being less competition with him, so that the benefit he derives, from the assistance he affords to labour, is not *beat down* below the actual amount of the assistance so much in the bargain between him and the labourer as it would otherwise have been.

If each man of a class could never have more than a given share, or aliquot part, of the gains and possessions of the whole, they would readily combine to raise the gains: this is *monopoly*. But where each man thinks that he may any way increase the absolute amount of his own share, though by a process which lessens the *whole* amount, he will often do it: this is *competition*.

Where a man's advantage over other people consists in *land*, he makes the labourer, to whom he gives the land for a time, work for him part of that time; or, what comes to the same thing, give him part of the produce, or part of what the produce exchanges for. If it is *possible* for him to do this, that is, if the man *can* raise more than what he must himself eat; if the exacting such a thing would not have simply the effect of preventing the possibility of land being cultivated at all; this compensation *will* certainly be exacted where the land is appropriated, and unequally appropriated; however fertile it may be, or however large and thinly peopled. In few countries has rent, I believe, sprung up by nature, and not been originally the effect of appropriation effected by main force. Sometimes it was not the effect of a free bargain even arising out of such an appropriation by force. He, who had got the land by force, sometimes directs by force what shall be paid for it, and collects that by force again; as in Egypt. In this case it may seem to be rent; but it is tribute, or plunder: and to reason about it as rent, would but lead to error.

The purchase money exacted from the settlers in the new states of America is, in like manner, owing to artificial appropriation.

The landlord, however, has no choice (as the capitalist has), whether to impart to others the superior advantage which he has over them in production, or to consume, for his own pleasure, that

wealth from which he derives this advantage; for land cannot be consumed, and is of no use if not employed. There is nothing in the case of land answering to the *withdrawing* of capital, to the conversion of capital into revenue, or to saving. No compensation, therefore, is necessary here, answering to that which must be allowed to the capitalist, in order to induce him to save; *i. e.* to turn his wealth to capital, and to the public good. The landlord can neither add to his land, so as to lower the rate of profits he gets by it, when high; nor withdraw it, when they are low. In this last respect, machines are like land; and, owing to it, both must submit to take whatever they can get. Nor do the low profits of land diminish or wear out involuntarily, as it were, the supply of land, as too low wages of labour diminish the numbers of mankind, and supply of labour.

When the landlord lets out the productive service of his land, he is sure, whether he gets more or less of it, to have the land back again. It is different with the capitalist; he having paid the labourers, &c., in advance, and taken on himself the risk of the success of the project, may, possibly, never see his capital or the whole of it again. It is only by a sort of metaphor, that he can be said to let it out for hire; he parts with it entirely, and receives, in return, what is not individually the same thing, but quite distinct.

The increase of numbers, or power of the necessities of life to raise up a demand, does not seem a necessary cause of rent. If a country, even in a natural state, that is, not forcibly appropriated, as above supposed, were once so full of people as to have nearly occasioned the appearance of rent, but not quite; rent might come into existence, even though the further increase of those people should become, by a change in the laws of nature, impossible. For even if we suppose them all (which we need not) to have at that time as much as they could *eat*, still, if industry and capital increase, the demand for raw produce, as *materials*, will rise, though not the demand for raw produce, as *food*. That land, which raises the former sort of raw produce, will rise then, in time, to an exchangeable value; and, if the land be convertible, it will encroach on the corn land, and straiten that, and

give that an exchangeable value too. But this would extend, of course, but a very little way, compared to the extent to which rent goes now.

Numbers depend immediately on the power of obtaining that necessary of life which is the most difficult to obtain. It will be against *that* part of the "means of subsistence," of course, that population will press. In this country there is generally plenty of *water* for that number of people for whom there is *land* enough to permit them to exist. Water, here, is therefore generally without value. Where it is a little scarcer, it bears a rent; and where it is so much scarcer in proportion to land, that every body who can get enough to drink, may easily get enough to eat, it will form the limit to population, and may bear a rent, while land bears none.

The cause of rent, which is stated last by Mr. Malthus, "the comparative scarcity of the most fertile land," or rather (since "comparative scarcity" means nothing), the unequal fertility of land, is not in any way, that I can even guess at, a condition necessary to the existence of rent. Where unequal fertility exists, high price must have risen to a certain point on the most fertile land, *before* it was worth while to cultivate land of the next degree of fertility, and not in *consequence* of people's happening to cultivate land of the next degree; nor of "population," or the "progress of society" (Ricardo, 51, 52), except in this way. If, then, land of the next degree had no where existed, the high price and high profits would have continued, and, probably, increased, on the land of the first degree; and the excess of it above profits in other lines, being an advantage derived not from capital, but ownership of land, would have been separated very soon in the form of rent. Mr. Ricardo says, "as soon as the land, No. 2, was cultivated, rent would begin to appear on the land, No. 1." This is an inversion of cause and effect, like that which he complains of in others, when they consider rent the cause of high price, not the consequence.

In order that rent should exist, it is necessary, certainly, that land should make diminishing returns, in proportion to increased application of labour and capital; that is, that it should at all

times be true, whatever be the produce obtained by the existing quantity of labour and capital, that half that quantity, applied in the same manner, would raise more than half that produce, and twice that quantity would raise less than twice that produce ; but it is not necessary that the land should be unequally fertile. And as the less fertile land need not be resorted to, so as to occasion rent, so neither need the additional capital be actually laid out. Rent may arise on the former amount of capital, by an increased demand for corn.

Mr. Ricardo calls rent (p. 47, second edit.), " what is paid for the original and indestructible powers of the soil ;" he, therefore, observes, that the " rent of the forests in Norway" (Adam Smith) is not a proper term, as to so much as was given for the *standing timber*, beyond what would have been given without. The same observation would apply to mines ; here, as in the case of timber, you do not *hire* the use of land, but *buy* so much of an existing thing (wood or ore), as you are able and willing to carry away within the term of the lease. If the forests are primeval, or, at least, natural forests (in that country they sometimes spring up of themselves, according to Mr. Malthus, in the Essay on Population), that payment, to which Mr. Ricardo has denied the title of *rent*, is not *profits* either ; where it is a *planted* forest, part of it is.

When Mr. Malthus published his Essay on Rent, it seems to have been partly with a view to answer the cry of " No Landlords," which then " stood rubric on the walls," to stand up in defence of that class, and to prove that they were not like *monopolists*. That rent cannot be abolished, that its increase is a natural concomitant, in general, of increasing wealth and numbers, he shewed ; but neither did the vulgar cry of " No Landlords" necessarily mean, that there ought to be *no such thing* as rent, but rather that it ought to be equally divided among the people, according to what was called " Spence's plan." But when he proceeds to vindicate landlords from the odious name of monopolists, from the observation of Smith, " that they love to reap where they never sowed," he seems to be fighting for a *name*. It is with this view, that he places first the property of the

land by which more people may live on its produce, than those who raise that produce ; and next, that of raising up demanders, by the principle of population ; and as these are valuable properties, he thinks rent, being the "indication" of them, must be something respectable.

Of course, however (as Mr. Ricardo observes, p. 507), those qualities are not the better or more advantageous to us, from the circumstance of our being obliged to *pay* for them. Mr. Malthus calls rent a *part* of the surplus produce from land (Essay on Rent, p. 16). But the question is, whose hands that part is in ; whether retained by the landlord, or enjoyed for nothing by the public. It is more properly the *price* of a part of the surplus produce. That is a very different thing. To tell us that a thing exists, and is beneficial to us, is not to pronounce a panegyric on the high price we are obliged to pay for it, or on the people who receive that high price, without any exertion or self-denial on their part. There is too much the air of an *advocate* in all these arguments of his. I suppose, the real principle upon which people grumble at rent is, that it is not the compensation to any body for *doing* what costs them any sacrifice to do. A man must be paid for laying out his money as capital ; in doing so, he is foregoing the present enjoyment he might have from it : a labourer must be paid for his labour ; he foregoes his ease and rest : but a landlord foregoes nothing, in submitting his land to tillage (and even if tilled by himself, rent equally enters into the price of its produce) ; he gives up nothing.

I do not understand why ground rents of houses in towns are more "a strict monopoly" (Malthus, p. 98) than other rents. They are *higher*, that is all. "That arises from their local situation." So does the rent of all land. Land in the Illinois is not so valuable as equally good land near New York. Ground rents depend on the same causes as all other prices do ; the consideration of the degree of advantage or benefit to be derived from the article, combined with that of the difficulty of getting it.

NOTE XI.

He says (p. 46) " Les marchandises, dites-vous, ne s'échangent pas seulement contre des marchandises ; elles s'échangent aussi contre du travail. Si ce travail est un produit que les uns vendent, que les autres achètent, et que ces derniers consomment, il m'en coûtera peu de l'appeller une *marchandise*, et il ne vous en coûtera pas beaucoup plus d'assimiler les autres marchandises à celle-là, car elles sont des produits aussi. Les confondant alors les uns et les autres sous le nom générique de *produits*, vous pourrez convenir, peut-être, qu'on n'achète des produits qu'avec des produits."

But he knows perfectly well, that this was not what Mr. Malthus meant by products or commodities (*marchandises*). I cannot think what is the use of this fencing with *words*. In what sense, too, we may ask, is labour *consumed*, as distinct from consuming the product of it? What are we the better for calling labour a product, an use directly contrary to the plain common use of the word, and therefore constantly lying open for misunderstanding and dispute. These affected *ways of talking* constitute, in great part, what M. Say calls his *doctrine*, which he is so anxious to have taught under the auspices of Mr. Malthus, at Hertford; as, he says, it already is " dans plusieurs parties de l'Europe" (p. 46). " Si vous trouvez (p. 36), une physionomie de paradoxe à toutes ces propositions, voyez les choses qu'elles expriment, et j'ose croire qu'elles vous paraîtront fort simples et fort raisonnables ;" doubtless ; and, at the same time, they will very probably appear, by the same process, not at all original or important. " Sans cette analyse," he proceeds, " je vous défie d'expliquer la totalité des faits ; d'expliquer par exemple comment le même capital est consommé deux fois ; productivement par un entrepreneur et improductivement par son ouvrier." It seems to be agreed, " dans plusieurs parties de l'Europe," to call a fantastical mode of expression a *fact*.

If, however, he includes labour, when he says, that production finds a market for itself (the proposition Mr. Malthus resists), then it is plain he will not deny, that there may be a glut

of that sort of products, which do not comprise labour (for we must "speak by the card" now, or "equivocation will undo us"), measured in labour; in short, that they may exchange with labour at one rate or at another; just as cotton may with wine; and that one rate may most encourage labour, and the other most encourage the production, on the part of a capitalist or master, of such sort of products. And, consequently, the proposition of M. Say does not at all prove that *capital* opens a market for itself, but only that capital and labour open a market for one another. He has left Mr. Ricardo, then, who quoted his authority (p. 359), quite in the lurch by this explanation. However, after all, in page 57, we find him talking of "*produits*," nay of "*toute espèce de produits*," as distinct from *services productifs*, of which latter labour is one.

M. Say seems to think, that to give a new sense to people's words, different from that in which they used them, and then shew that, understood in that new sense, they are no longer true, is answering them; or rather, is giving "a demonstration" which "ruins their assertions." *Lettres*, p. 58, note.

NOTE XII.

"They (commodities) may be exactly equivalent to each other in exchange, yet why may not both be so plentiful as not to command more labour, or *but very little more* than they have cost; and, in this case, would the demand for them be effectual? Would it be such as to encourage their continued production? Unquestionably not." (*Malth.* 356). This "*very little more*," is just the difficulty. It is impossible to say *how little* it may be, and yet be sufficient to "encourage their continued production." Of course, it can never be *none*, permanently.

M. Say, indeed (*Lettres*, p. 67), is pleased to observe, that Mr. Malthus was wrong in supposing "*que la production ne peut se continuer si la valeur des marchandises ne paie que peu de travail au delà de ce qu'elles ont coûté*." ("*Would*," not "*could*," is the word in Malthus, p. 356; and so it is in the other passage, where M. Say chooses to insert "*pourraient*"). "*Il n'est nullement nécessaire*," he proceeds, "*que le produit*

vaille au delà de ses frais de production, pour que les producteurs soient en état de continuer. Lorsqu'une entreprise commence avec un capital de cent mille francs, il *suffit* que le produit qui en sort, vaille cent mille francs, pour qu'elle puisse recommencer ses opérations." (We might say, "it can, certainly, but it will have no inducement to do so." But he seems to mean more). "Et où sont, dites-vous, les profits des producteurs? Le capital tout entier a servi à les payer!" "Les profits," he adds, in a note, "que fait un entrepreneur dans son entreprise, sont le salaire du travail et des talens qu'il a mis dans son affaire." So that, after having been made to stare a sufficient time at the monstrous absurd paradox, which (merely in order to make us stare) this grave professor lays before us, after having been duly set to guess, like children, we find that he is exactly of the same opinion as Mr. Malthus, whom he contradicts, only he chooses to call some things "wages of superintendence," which Mr. Malthus did not mean to include when he talked of the labour the article had cost; and to reckon as part of the "costs of production," what in plain English goes by the name of *profits*. Upon this supposition, we are to understand the assertion, that if a man sets out with a capital, it is enough for him to merely replace it, by considering his expenses of living in the interim, to the extent of what are to be the profits, as paid for with part of his capital. This may be a very convenient way of talking, I dare say, in itself, but it happens not to be the language in which Mr. Malthus has expressed himself, and therefore it cannot serve to contradict him.

But M. Say adds, with much complacency, "*ce grand phénomène de la production, analysé, exposé sous ses véritables traits, explique tout*" (p. 70).

I cannot tell why M. Say reads his antagonist a lecture (p. 71, 72), on the impropriety of *preaching* dissipation, "*point d'exhortations*," he says "bornons-nous à noter comment les choses se succèdent," &c. M. Say's reflection may be useful to himself, if he is afraid of being run away with by his own feelings on so inflammatory a topic as *saving*; but it is not applicable to Mr. Malthus. If M. Say means, that a writer having established a

principle, should not draw from it a *practical inference* for the good of his country, I should like to know why? Here in England, strange to say, it is generally the very object we have in view in these speculations. "It is not political economy," says M. Say. It is surely, however, "*political economy considered with a view to its practical application*," and *this* is the very title of Mr. Malthus's book.

NOTE XIII.

It is owing to this, principally, that high profits are, as is commonly said, favourable to accumulation of capital. Not merely because there is more to save. For then, high wages and high rent might equally tend to this effect. But that increase, which is in the shape of profits, comes immediately into the hands of those who are already disposed to save, whose habits are already frugal, and who best know, too, how to turn what they save to gain. See an observation of Hume, quoted in Malthus, p. 406.

Another important instance of the effect of habits is the circumstance so much and justly insisted upon by Mr. Malthus (chap. vii, sect. 4), that a certain degree of natural difficulty in raising *food*, is necessary to form habits of industry sufficient to induce people to work for the sake of obtaining *comforts*; and that it is, often, where people have the most leisure time left after procuring mere subsistence, that they are the least disposed to employ that leisure time to get superfluities.

These observations will apply, I think, to the comparison Mr. Malthus makes (p. 412) between the saving of labour effected by fertile land, and that effected by machines; the profits made by machines come into hands more capable of employing them in the increase of wealth, and more ready to do so; and the invention of machines comes upon pre-existing habits of labour, and is sure of producing a profit. But the effect of fertile land *may* be, that no profit at all is gained by it to the owner. It is not a *new* advantage. It always existed, where it exists; and the consequence may be, a habit of setting such a value on idleness, that the owner of the land cannot make such a bargain with labourers, as to obtain large profits. And then, if he does, he is not the

sort of person likely to draw from them further means of increasing wealth, as the owner of machines is.

NOTE XIV.

Which was much less a matter of *taste*, than a change owing to the capitalist having contrived by degrees to bring a greater variety of cheaper or better articles to *tempt demand*. We want to create a "taste" for our manufactures in India. We do not try, then, to *inspire* people with wants, we do not read them lectures in favour of caps and stockings; we put the articles in their way more frequently, and vie with one another in holding out the inducement of cheapness, variety, and goodness.

NOTE XV.

Hume attributes the varying rate of interest primarily to the varying proportion between borrowers and lenders, or between prodigality and frugality. It is plain that these two proportions are not *necessarily* the same. More money might be employed as capital in proportion to that spent as revenue, now, than formerly; and yet the proportion of prodigal borrowers be as great, in proportion to the lenders, now, as it was then. There *might*, in those times when profit was higher than now, have been not a single borrower in England; and there *might* now be many. It did not *necessarily* follow, that those who *spend* their fortune should *anticipate* or *outrun* it. But though not necessary it is *natural*, that the two causes above mentioned should exist at the same time; it is natural that an increase in the disposition to save money and make profit by producing, should be accompanied by an increase in the disposition to save money and make profit by lending. And when it was less, than it is now, the fashion for rich men to save, in order to make a profit, it would naturally be more, than it is now, the fashion for *some* of them not merely not to save and increase their fortunes, but to run them out by anticipation.

NOTE XVI.

With regard to the case put by Mr. Malthus, and alluded to in page 51 of this, of *all* consumption beyond bread and water, or

mere necessities, being stopped entirely, I cannot consider that as illustrating, by an *extreme case*, the effects of an increasing habit of saving. A *complete stoppage* is not the *extreme degree* of a partial and comparative diminution of it. It is the *contrary*. *None* is not the extreme of *a little*, it is the negation of it. If *any class consume*, the case will be widely different from the chimerical case put by Mr. Malthus, which therefore illustrates nothing but itself. Let water be issuing at a hundred holes: what will happen if I stop ninety? To answer this, is it relevant to put a case of stopping all?

NOTE XVII.

Inventions to save labour form only a part of that which I have elsewhere called increasing the *productiveness* of labour, which will include any invention whereby a given quantity of labour can produce a greater quantity of enjoyment to man, whether in the shape of a new article or an old one. Mr. Malthus (p. 461) makes the like observation as to *foreign trade*, but he is open to it himself as to the question of *internal* improvements in the management of labour; for he always confines himself to savings effected in the production of some article which was already produced.

NOTE XVIII.

What a producer wants, by way of a demand or market, must be some *increase*. Nothing can provide for an increased demand, that does not provide for an increase of *produce*. He wants to receive more hereafter than what he foregoes now. One man may do this, but *all* cannot, without finding some way of creating that "*more*." That *more* is not in the hands of productive labourers. Their means, what they have to purchase with, is part of the already existing stock.

NOTE XIX.

As is the corresponding distinction between foreign and home trade, in a great degree, in principle. The main distinction being only what arises from the reluctance to move capital to a *strange*

country, compared to the readiness with which it goes to different parts of the *same* country, wherever there is most demand for it; as is pointed out by Mr. Ricardo.

NOTE XX.

Smith (owing partly to his having confounded these two things, as M. Say observes) considers the profits of stock as if they were a regular percentage. And he argues, that they cannot be considered as the salary of superintendence, because, says he, two capitals of very different amounts may require the same trouble of superintendence, and yet each will make the same rate of profit per cent., which will be two very different sums. It is, as M. Say observes (vol. ii, p. 150, fourth edit.), a mere *assumption*, that they *will* make the same rate of profit per cent. The existing rate of profit means an *average*, not an *universal* rate. Scarce any two capitals make exactly the same rate of profits. The having a legal fixed rate of *interest*, I believe, keeps us from recollecting this always. The very case he has put, if true, would show, that the profit upon the capital is not a percentage. For out of two *unequal* portions of profit, which are, according to him, the same percentage on the amount of the respective capitals, *equal* portions must be deducted for the labour of management, which he supposes to be equal in both. The remainder, therefore, will, after such deduction, no longer be in proportion to the capitals. Or is the labour of management to go unpaid? But he has observed, elsewhere, that it is often transferred to a head clerk or manager, who is directly paid by a salary. Now the *public* cannot care whether it is done by the owner of the capital, or by a head clerk, therefore the price must be the same, and consequently what Smith calls the profits, in both cases. Indeed Smith (in p. 64) says only, that the profit "*bears some proportion to the stock*;" that is, more stock brings more profit. And the argument he uses, that if it did not, a man would have no motive for laying out the additional quantity, goes no further. This is very different from saying it will be in exact *proportion*.

Besides this difference, which prevents two stocks in two dif-

ferent hands, from bringing the same rates of profit per cent.; it seems clear, that the stock which is in one person's hand, will generally bring a larger rate of profit where it is larger, than where it is smaller. The saving, which a large capital effects in labour, must be more than the sum of what would be effected by twenty different capitals, separately administered, which twenty capitals would together amount to the larger capital. Besides, there are some employments which large capitals only are fit for, over and above what they have in common with others. The more a man adds to his capital, then, the better profits he is likely to make. This forms a temptation to go on. And the prospect of it induces people at first to be content with less profit than they otherwise would.

NOTE XXI.

Mr. Malthus insists on the great importance of what he calls *distribution*. It is not very easy to discover from him exactly what distribution means. At one time it seemed to be something like good roads (p. 414, line 17); at another, to denote the producing more desirable, rather than less desirable things (p. 414, line 13; and 419, line 9, &c.: for distribution cannot include number of consumers, I should think). The first sense, viz. that which is illustrated by analogy to roads and canals, is exactly answerable to the second head of distribution, according to him (p. 427), "internal and external commerce." But this requisite is itself an employment of *capital*. If too little is employed in transport, and too much in production, I should say the fault is like any other unequal or disproportionate employment of capital in its different lines. So as to the division of land into many hands (p. 428, line 12), you may call this a distribution of produce, if you will; it seems much more obviously to be a distribution of the means of getting it, land, among those who are most likely to use those means.

NOTE XXII.

Converting consumption into capital has a different effect, where your consumption had been partly in keeping unproductive

labourers in low stations, and where it had not. In the former case, the cessation of your consumption throws on the world the labourers for whom it creates a demand. But if you had consumed *commodities* it does not; it raises the demand for labourers on the whole. Then it must be true vice versa, *i. e.* when you turn capital into revenue. This seems to prove, that the imposing of taxes is least felt by the poor when it is laid out in keeping soldiers.

NOTE XXIII.

It is the same *source* of confusion (though operating the other way) as that which leads some people to consider all the money raised by taxes, even including that which is simply paid to English stockholders, as lost to the *nation*, because it is lost to the particular people who pay it.

NOTE XXIV.

These gentlemen are sometimes called by Mr. Malthus unproductive *labourers* (p. 477). "They furnish," he thinks, "fresh motives to production; and tend to push the wealth of the country farther than it would go without them;" *independent* of any good they do by the particular sort of *labour* they perform. It is clear, however, elsewhere, that stockholders, landlords, pensioners, &c., though they perform no labour, may, up to a certain point, produce; in his opinion, the same advantages.

Smith says, "The inhabitants of a large village, it has sometimes been observed, after having made considerable progress in manufactures, have become idle and poor, in consequence of a great lord's having taken up his residence in their neighbourhood." (vol. ii, p. 93.) This *lord*, one would have thought, on Mr. Malthus's system, was just what they stood in need of.

NOTE XXV.

In order to produce any good effect this way, *certainty* is one great object: that is, that the producer should know that he has

so much to pay, and that all he can make *beyond* that is his own. Such impositions as tithes and poor-rates are, therefore, less calculated to lead to this particular sort of advantage, such as it is.

NOTE XXVI.

"Gradually at least:" of course. Great, sudden changes of almost all sorts, from one state to another, are bad; but that is not pronouncing which of the two states may be in itself the better. In an article in the *Edinburgh Review*, in favour of peace (July 1812, p. 223, 224), this consideration was neglected.

It may be extremely true, besides, that now is not the best time to attempt to reduce our taxes by *sinking funds*: that is work for sunshine. Its *immediate* effect is to *increase* taxation at the expense of private capital: my objection to it therefore is just the reverse of Mr. Malthus's.

It may be doubted whether opening, by new arrangements, or the demolition of old and absurd ones, fresh channels of trade, the advantages of which may probably be over-rated, or which will require a sacrifice of any existing interests (see Malth. 509), is well-timed *now*. I should be inclined to say, do nothing now, which will ruin any branch of trade. Stand still, at least, and do not go any farther in the work of *partial* destruction. Open no great new markets. You have the experience of the India trade in your eyes. Bear in mind the lessons of distress, and in more easy times make such careful alterations as may prevent that distress from being so great another time.

NOTE XXVII.

"When profits are low and uncertain," says Mr. Malthus, "when capitalists are quite at a loss where they can safely employ their capitals, and when, on these accounts, capital is flowing out of the country; in short, when all the evidence, which the nature of the subject admits, distinctly proves, that there is no effective demand for capital at home, is it not con-

trary to the general principles of political economy, is it not a vain, fruitless opposition to that first, greatest, and most universal of all its principles, the principle of supply and demand, to recommend saving, and the conversion of more revenue into capital?" In such a situation the misfortune to the public is the falling off of production, the misfortune to the numerical *majority* of the public is the diminished demand for labour. Persons who would invest capital without wishing for more than very moderate profits, but endeavouring at the same time to keep as much as possible out of the way of uncertainty, would be most useful, I should think, at such a time. To advise them rather to convert capital into revenue, to withdraw actually invested capital in order to spend it, is surely like burning your house down for fear it should take fire.

"Low and uncertain", we must observe, are two very different things. Lowness of profits has not the effect of causing money to be hoarded; or, what comes to the same thing, reluctantly and hesitatingly circulated; as uncertainty has. This amounts to an *annihilation* of part of the capital; that is, of part of its "productive service," or use.

NOTE XXVIII.

These arguments of Mr. Malthus have been answered by M. Say. But his "Lettres" are a little too much confined to what regards himself personally, to be of so much use as might have been wished in removing the difficulties raised by Mr. Malthus with regard to the subject in general. There is an asperity, too, about them, which seems quite unnecessary. To be sure, Mr. Malthus has dared to question the expediency of the French laws for the division of property; a system, which is called in the *Traité de l'Economie Politique*, "*la marche bienfaisante de la nature*," and set forth by an elegant metaphor. M. Say adorns his "Lettres," too, with angry and eloquent sarcasms (also adorned by metaphors) against the English system of government; which are doubtless very grateful to the ears of those for whom they are in a more especial manner intended.

NOTE XXIX.

We often hear our distresses attributed to the excess of production, and in the same breath *particular articles* mentioned, of which the demand has fallen off from the peace: it is quite clear, then, that such persons do not *mean* that production is too great, that we have produced *too much*, but that we have produced *the wrong things*.

We are apt to hear of certain countries, as *Holland*, brought as examples to prove that production, carried to a great extent, causes an actual *diminution* of people and a withdrawing of capital. But great wealth is apt to be *abused*. So is strength of constitution; and as some people fancy gout to be a *natural* appendage to robustness; and excess in drinking, &c., to be rather conducive to strength than not; so they fancy excessive taxation (which can only be in rich states, because rich states alone can bear it) to be in some way a *cause* of wealth, and lay the blame of the *decay* on the excess of production and accumulation.

Mere exportation of *capital*, too, from such a country, is not decay; it is the natural course of things; there must be diminution, or at least stoppage, of *numbers*, in order to constitute a positive symptom of *decay*.

Small states, such as are little more than *towns*, may sometimes decay, just as one town decays and another springs up in a large country: that is, where their original advantages were *peculiar*, and *depended on* the want of similar advantages possessed at the same time elsewhere. Whether a town shall stand in this place or in that is, besides, partly accidental, and so therefore is the change of it from one place to another.

NOTE XXX.

See the excellent observations of M. Say, "Lettres à M. Malthus," p. 120, 121.

NOTE XXXI.

Mr. Malthus describes the increase of wealth as having been "rapid and astonishing," "during the *last thirty or forty years*"

(p. 422). We have not been at war *quite* all that time. Some part of the increase, I apprehend, is owing to the parallel increase carrying on in *America* all the time. The political separation of the two countries only increased the advantages to be derived from their *commercial connection*. A country, such as America, cannot make a full use of its own advantages but through means, which increase the prosperity of the rest of the world. That is the very nature of voluntary exchange -- mutual benefit.

NOTE XXXII.

The observations of M. Say are excellent on these points. "Lettres," p. 115, 123, &c. I do not understand page 113, about America.

NOTE XXXIII.

"C'est l'entrepreneur que tous les risques atteignent," says M. Say, "Lettres," p. 29; but if the risk is great it extends to others, and affects others through him.

NOTE XXXIV.

Adam Smith (vol. ii, p. 44, edit. 1806) says, that when a bank discounts a real bill for a merchant, it only advances a part of the value, which he would otherwise have been obliged to keep by him for answering occasional demands; and that this is all that it ought to do; and that while it does so no greater amount of currency will, on the whole, be in circulation than was before. I cannot conceive why any of these conclusions follow.

The encroachment of paper money on gold and silver, while it drives out those metals from their employment as money into their employment as metals, must greatly diminish their price on the whole. They were wanted for two purposes, and they are now wanted only for one. Though it were true, then, that the paper must still be at par with the metals, and that their market and mint prices must still be equal, *both* prices have

fallen, estimated in things in general; and, for this reason, a far larger amount of nominal currency may be expected to be in circulation, owing to this introduction of paper.

NOTE XXXV.

It is singular, that Mr. Malthus, in p. 445, reasons of the affairs of 1815 and 1816, as if money price meant the same thing all that time.

Among the artificial measures, which kept up the distress, due regard must be paid to the Corn Bill, which came just *after* all the worst part of the *crisis*, which it professed to prevent, was done irrecoverably; and served principally to prevent the countervailing good, which the healing process of nature, if allowed to *settle*, was about to extract from it. It may turn out, in case of some future war, to have been a very useful measure of national security, for aught I know. I am only speaking of the *present*. Of course, however we may *talk* of "prosecuting war with a view to a safe and honourable *peace*," we all know, that, even in the high state of civilization which Europe boasts to have obtained, peace is in fact always to be considered as a state which exists and is tolerated principally with a view to war, and in which, of course, the great point is to make all things *idonea bello*, as much as possible.

It is supposed by some persons, that though freedom from restriction is a very good thing for the generality of trades, yet that the external trade in corn forms an exception, and that restrictions ought to be applied to this trade, even if banished from every other. Whatever may be the reason for this opinion, it is not difficult to give a reason for asserting the direct *contrary*; namely, that even if every other trade were under restrictions, the corn trade ought to be free: the reason I mean is, that Nature has made the success of that species of production much more *fluctuating*, from one year to another, than that of trades in general; and that therefore it stands more than trades in general, in need of that equalization and means of finding a level, which can only be produced by free intercourse.

Some of the advocates of the Corn Bill were admirers of the

principle upon which the old Bounty system was founded, and rested their support of the Corn Bill upon that principle; and accordingly they considered it an advisable measure, even without any reference to our existing situation, and even without any reference to the question of making ourselves independent of foreign supply in case of war. They told us, that the measure would indeed at first make provisions rise, but (like the *Morning Post* in the *Rejected Addresses*) “pledged themselves that they would soon *fall* again,” and be permanently cheaper than if no such regulation were adopted. But here they confounded two measures and two principles, totally unlike and opposite. A bounty on exportation (laying aside the question whether it is *worth while* to pay it for the sake of the object) does certainly tend to encourage cultivation, and probably to lower the ultimate permanent price of corn (notwithstanding the arguments of Smith); but it does so by affording a readier *vent in cheap years* than would naturally have existed, and by thus relieving the farmer from part of his uncertainty, from part of the chances against him, which form the discouragement to till. But a restriction on importation has a directly contrary effect: if it prevails in a country where there would otherwise be importation in average years; the consequence of it must be, that the average price of corn is higher, and that therefore it is *less easy* for the farmers, when there comes a year of plenty, to relieve the glut by exportation. It is pretty clearly now perceived, accordingly, that the bill was by no means a measure of protection to the farmers, as it was meant to be; but a cause of ruin to them.

Evertere domos totas optantibus ipsis

Dii faciles.

Now, when distress is owing to a war expenditure and taxation, however much it may be the fashion to lay all the blame on the government or legislature, they may at least say, that they *never supposed* the war would *promote* prosperity, that the taxes were not laid on for *that purpose*, that they were only meant as the “least of two evils.” But when, after a strong measure of a very artificial kind has been adopted professedly for the relief

of distress, distress of the same identical kind still continues, we have surely a right to complain and to find fault.

At the time when the bill passed, we were told by some, that it was mere incendiary talk to pretend that 80s. would be a *minimum* price, for, said they, "it will be a *maximum*. It never can exceed 80s.; for at that point foreign corn will come in and keep it down: it may, and will, often be below it." How then was the measure to be consistent with the reason on which it was founded, *viz.* that 80s. was the *lowest price that would remunerate* the farmer, or be such an inducement to him as to enable us to grow all our corn at home? How then would it be consistent with the object of keeping up rents? — an object always disclaimed directly, but always maintained indirectly, as for instance when it is observed, that if something is not done the land will become bankrupt, and furnish nothing to its owners!

The expression, "the landed interest," is very well adapted to lump together the interests of two different classes, interests which are by no means exactly the same in themselves, or of the same concern to the public; that of the farmers, and that of their landlords; of those who pay rent, and of those who receive it. It *may* be important that a farmer should be enabled (even by some sacrifice on the part of the rest of the public) to get reasonable profits; because that will enable him to employ labourers and raise corn: but that the landlords should keep up their rents to any given amount, can concern nobody but themselves.

"But the interest of one class is the same with that of another. Each class is interested in the prosperity of the others. It is an obsolete, barbarous prejudice then, that treats them as opposed." Is it not an obsolete, barbarous prejudice, too, to support any branch of trade or production by permanent protecting duties? The interests of all classes are certainly the same, generally speaking, by *nature*; but that does not prove that an *artificial* protection or benefit to one is a good to the rest; and it does prove the contrary; for if the interests of all classes are the same, it will follow, that a tax on one class for the benefit of another (and such is the Corn Bill, professedly, *if it operates*) cannot benefit either.

The truth is, that this general maxim about the interest of one class being the same with that of others is very well in a *speech*, where you are obliged to express things in a short manner, and where you are tempted to express them in a decisive and striking manner, especially if it has an air of liberality and candour into the bargain; but, for the purpose of reasoning and reflection, it, like most other *short maxims*, does harm, because it is sometimes true and sometimes false; it is true in some cases, and not true in others. It is very true that the contrary proposition is at least equally erroneous, and more hurtful, and till lately was more generally received, and therefore was more necessary to be guarded against: but one extreme is not cured by running into the other.

In order to make the bill complete it should have included a *Bounty on exportation*; and such a provision should even now be incorporated with it while it continues, which at present it must do, probably.

The other great evil of the measure (I mean instance in which it defeats and counteracts its own objects, supposing them to be proper and permanent ones) is, that at 80s. it *at once* lets in the foreign corn, which may be at 30s., instead of operating by means of a *duty*. This discourages farming as much as any measure that can be well devised. How can the farmer inquire what is the price of corn, and means of supplying it, in some distant part of Europe? Yet on that his interest in a given year may directly depend. That which at this moment is behind a curtain, as it were, with regard to him, may the next dispose entirely of his fate. Naturally, his consolation in a scarce year is high price, in a year of plenty, exportation. The Corn Bill denies him both. It makes the progress of price in scarcity be 60, 70, 80—50. If the restriction operated by way of a duty, the influx of foreign corn would be gradual, the farmer would feel his way, and be able to judge what was coming. But on the present plan it comes in a sudden rush, of which it is *impossible* for any body to calculate (especially too when combined with the warehousing system) the effect or price. A duty, too, might afford us the means of paying (what we *must pay* if we mean to protect the farmer at all by a restrictive system) the bounty on

exportation. Though indeed the restriction on importation is just as completely a *tax* as any that might be raised to pay a bounty with.

As to the policy of the measure at all, I cannot help thinking the consideration of it would be rather simplified by stating the question to be (what it really is). What we ought to do when, owing to peculiar temporary circumstances during about ten years, price had been excessively raised and cultivation excessively pushed; and when, on those temporary circumstances having suddenly ceased, corn, far less than half as dear as it was here during the existence of those temporary circumstances, at once flowed in upon us? I say this is the real question; because, however we may have been treated with *general* reasonings on it, I take it to be quite clear, that restriction would never have been proposed in 1814, if it had not been for the existence of such a particular state of circumstances.

Nothing can be more laudable in itself than the feeling expressed by Lord Liverpool, not to *change* continually in matters of this sort; to let the producer *know* what he is to look to, instead of keeping him in constant uncertainty. But, in this instance, he is in constant uncertainty, *now*. The measure itself has placed him in a situation where he does not know what to reckon upon; nay worse, where having been led to believe that he was *protected*, he feels distress and difficulty besetting him, he knows not from what source. *Perseverance*, in *such* a measure, produces, then, the very evils, and worse than the very evils, attributed by Lord Liverpool, so justly in general, to *change*.

People say, "We went on very well during the war, and why should we not be prosperous if we could keep up to a like state of things?" But we *cannot* have a state of things in all respects like that; and then to make it like in some only, may obviously make us worse instead of better. The particular sort of advantages the war gave us in some parts of our foreign commerce we *cannot* by any laws of ours perpetuate. To perpetuate by laws the advantage the war gave our farmers, since we cannot perpetuate the other, is only doing harm. Because this not

only has no tendency to *perpetuate* the commercial advantage alluded to, but brings them to an end *sooner* than they otherwise would have been brought.

We are much too ready to suppose, that with a view to *the* Corn Bill is necessary. The stoppage of all foreign supply of corn is not a necessary consequence of being at war. Was the late war one of a common, every-day kind? Is there "continental system" in all wars which we are engaged in? I even the continental system entirely stop our supplies? A might we not, even if it *had* been in practice a complete stoppage of intercourse with the continent, still have got corn from America, if we had not *chosen* to quarrel with that power?

The first point, in order to meet a war, is surely to increase our wealth and population as much as we can. The Corn Bill clogs and checks the progress of both. It is a perpetual drag on our wheel; while those of other nations are free to run forward

NOTE XXXVI.

M. Sismondi declares, that with the principle, that a producer becomes consumer of his own products or of other people's, "*devient absolument impossible de comprendre ou d'expliquer le fait le plus démontré de tous dans l'histoire de commerce, c'est l'engorgement des marchés*" (quoted by M. Say, "*Lettres*," 11). Is any such fact proved by history, as to *all* commodities, even when there have been great checks and changes?

Mr. Ricardo, one of the advocates of the principle here attacked by M. Sismondi, has written a chapter on Sudden Changes in the Channels of Trade, on purpose to disencumber the general principle from the argument that is drawn from such periods of stagnation as the present

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